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RUSSIA IN THE ECONOMIC WAR

ECONOMIC AND SOCIAL HISTORY OF THE WORLD WAR

JAMES T. SHOTWELL, LL.D., *General Editor.*

RUSSIAN SERIES

SIR PAUL VINOGRADOFF, F.B.A., *Editor.*
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RUSSIA
IN THE ECONOMIC WAR

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EDITOR'S PREFACE

In the autumn of 1914, when the scientific study of the effects of war upon modern life passed suddenly from theory to history, the Division of Economics and History of the Carnegie Endowment for International Peace proposed to adjust the program of its researches to the new and altered problems which the War presented. The existing program, which had been prepared as the result of a conference of economists held at Berne in 1911, and which dealt with the facts then at hand, had just begun to show the quality of its contributions; but for many reasons it could no longer be followed out. A plan was therefore drawn up at the request of the Director of the Division, in which it was proposed, by means of an historical survey, to attempt to measure the economic cost of the War and the displacement which it was causing in the processes of civilization. Such an "Economic and Social History of the World War," it was felt, if undertaken by men of judicial temper and adequate training, might ultimately, by reason of its scientific obligations to truth, furnish data for the forming of sound public opinion, and thus contribute fundamentally toward the aims of an institution dedicated to the cause of international peace.

The need for such an analysis, conceived and executed in the spirit of historical research, was increasingly obvious as the War developed, releasing complex forces of national life not only for the vast process of destruction, but also for the stimulation of new capacities for production. This new economic activity, which under normal conditions of peace might have been a gain to society, and the surprising capacity exhibited by the belligerent nations for enduring long and increasing loss—often while presenting the outward semblance of new prosperity—made necessary a reconsideration of the whole field of war economics. A double obligation was therefore placed upon the Division of Economics and History. It was obliged to concentrate its work upon the problem thus presented, and to study it as a whole; in other words, to apply to it the tests and disciplines of history. Just as the War itself was a single event, though penetrating by seemingly unconnected ways to the remotest parts of the world, so the analysis of it must be developed

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according to a plan at once all embracing and yet adjustable to the practical limits of the available data.

During the actual progress of the War, however, the execution of this plan for a scientific and objective study of war economics proved impossible in any large and authoritative way. Incidental studies and surveys of portions of the field could be made and were made under the direction of the Division, but it was impossible to undertake a general history for obvious reasons. In the first place, an authoritative statement of the resources of belligerents bore directly on the conduct of armies in the field. The result was to remove as far as possible from scrutiny those data of the economic life of the countries at war which would ordinarily, in time of peace, be readily available for investigation. In addition to this difficulty of consulting documents, collaborators competent to deal with them were for the most part called into national service in the belligerent countries and so were unavailable for research. The plan for a war history was therefore postponed until conditions should arise which would make possible not only access to essential documents, but also the coöperation of economists, historians, and men of affairs in the nations chiefly concerned, whose joint work would not be misunderstood either in purpose or in content.

Upon the termination of the War, the Endowment once more took up the original plan, and it was found with but slight modification to be applicable to the situation. Work was begun in the summer and autumn of 1918. In the first place a final conference of the Advisory Board of Economists of the Division of Economics and History was held in Paris, which limited itself to planning a series of short preliminary surveys of special fields. Since, however, the purely preliminary character of such studies was further emphasized by the fact that they were directed more especially toward those problems which were then fronting Europe as questions of urgency, it was considered best not to treat them as part of the general survey, but rather as of contemporary value in the period of war settlement. It was clear that not only could no general program be laid down *a priori* by this conference as a whole, but that a new and more highly specialized research organization than that already existing would be needed to undertake the Economic and Social History of the World War, one based more upon national grounds in the first instance, and less upon purely international coöperation. Until the facts of

national history could be ascertained, it would be impossible to proceed with comparative analysis; and the different national histories were themselves of almost baffling intricacy and variety. Consequently the former European Committee of Research was dissolved, and in its place it was decided to erect an Editorial Board in each of the larger countries and to nominate special editors in the smaller ones, who should concentrate, for the present at least, upon their own economic and social war history.

The nomination of these boards by the General Editor was the first step taken in every country where the work has begun. And if any justification were needed for the plan of the Endowment, it at once may be found in the lists of those, distinguished in scholarship or in public affairs, who have accepted the responsibility of editorship. This responsibility is by no means light, involving as it does the adaptation of the general editorial plan to the varying demands of national circumstances or methods of work; and the measure of success attained is due to the generous and earnest coöperation of those in charge in each country.

Once the editorial organization was established, there could be little doubt as to the first step which should be taken in each instance toward the actual preparation of the history. Without documents there can be no history. The essential records of the War, local as well as central, have therefore to be preserved and to be made available for research in so far as is compatible with public interest. But this archival task is a very great one, belonging of right to the Governments and other owners of historical sources and not to the historian or economist who proposes to use them. It is an obligation of ownership; for all such documents are public trust. The collaborators on this section of the war history, therefore, working within their own field as researchers, could only survey the situation as they found it and report their findings in the forms of guides or manuals; and perhaps, by stimulating a comparison of methods, help to further the adoption of those found to be most practical. In every country, therefore, this was the point of departure for actual work; although special monographs have not been written in every instance.

The first stage of the work upon the War History, dealing with little more than the externals of archives, seemed for a while to exhaust the possibilities of research, and had the plan of the history been limited to research based upon official documents, little more

could have been done, for once documents have been labeled "secret" few government officials can be found with sufficient courage or initiative to break open the seal. Thus vast masses of source material essential for the historian were effectively placed beyond his reach, although much of it was quite harmless from any point of view. While war conditions thus continued to hamper research, and were likely to do so for many years to come, some alternative had to be found.

Fortunately such an alternative was at hand in the narrative, amply supported by documentary evidence, of those who had played some part in the conduct of affairs during the War, or who, as close observers in privileged positions, were able to record from first or at least second-hand knowledge the economic history of different phases of the Great War, and of its effect upon society. Thus a series of monographs was planned consisting for the most part of unofficial yet authoritative statements, descriptive or historical, which may best be described as about halfway between memoirs and blue-books. These monographs make up the main body of the work assigned so far. They are not limited to contemporary war-time studies; for the economic history of the War must deal with a longer period than that of the actual fighting. It must cover the years of "deflation" as well, at least sufficiently to secure some fairer measure of the economic displacement than is possible in purely contemporary judgments.

With this phase of the work, the editorial problems assumed a new aspect. The series of monographs had to be planned primarily with regard to the availability of contributors, rather than of source material as in the case of most histories; for the contributors themselves controlled the sources. This in turn involved a new attitude toward those two ideals which historians have sought to emphasize, consistency and objectivity. In order to bring out the chief contribution of each writer it was impossible to keep within narrowly logical outlines; facts would have to be repeated in different settings and seen from different angles, and sections included which do not lie within the strict limits of history; and absolute objectivity could not be obtained in every part. Under the stress of controversy or apology, partial views would here and there find their expression. But these views are in some instances an intrinsic part of the history itself, contemporary measurements of facts as significant as the

facts with which they deal. Moreover, the work as a whole is planned to furnish its own corrective; and where it does not, others will.

In addition to the monographic treatment of source material, a number of studies by specialists are already in preparation, dealing with technical or limited subjects, historical or statistical. These monographs also partake to some extent of the nature of first-hand material, registering as they do the data of history close enough to the source to permit verification in ways impossible later. But they also belong to that constructive process by which history passes from analysis to synthesis. The process is a long and difficult one, however, and work upon it has only just begun. To quote an apt characterization; in the first stages of a history like this, one is only "picking cotton." The tangled threads of events have still to be woven into the pattern of history; and for this creative and constructive work different plans and organizations may be needed.

In a work which is the product of so complex and varied coöperation as this, it is impossible to indicate in any but a most general way the apportionment of responsibility of editors and authors for the contents of the different monographs. For the plan of the History as a whole and its effective execution the General Editor is responsible; but the arrangement of the detailed programs of study has been largely the work of the different Editorial Boards and divisional Editors, who have also read the manuscripts prepared under their direction. The acceptance of a monograph in this series, however, does not commit the editors to the opinions or conclusions of the authors. Like other editors, they are asked to vouch for the scientific merit, the appropriateness and usefulness of the volumes admitted to the series; but the authors are naturally free to make their individual contributions in their own way. In like manner the publication of the monographs does not commit the Endowment to agreement with any specific conclusions which may be expressed therein. The responsibility of the Endowment is to History itself—an obligation not to avoid but to secure and preserve variant narratives and points of view, in so far as they are essential for the understanding of the War as a whole.

* * * * *

In the case of Russia, civil war and revolution followed so closely upon the World War that it is almost impossible for history to

measure with any degree of accuracy the effects of the World War itself upon the economic and social life of the country. Those effects were so distorted by the forces let loose in the post-war years and so confused with the disturbances of the revolutionary era that the attempt to isolate the phenomena of the War from the data of civil war and to analyze the former according to the plan followed in the other national series of this collection has been a task of unparalleled difficulty. Over and above the intricacies of the problem and its illusive character, the authors of the Russian monographs have had to work under the most discouraging circumstances and with inadequate implements of research. For those who know the scarcity of the documentary material available, it will be a matter of no little surprise to find, in the pages of this Russian Series, narratives and substantiating data which measure up so well in comparison with those prepared by the collaborators in other countries. The achievement of the Russian Division of the History is, all things considered, the most remarkable section of the entire collection. This is due, in the first place, to the fact that the authors, all of them exiles who live in foreign lands, have not only brought to this task the scientific disciplines of their own special fields but also an expert knowledge drawn from personal experience which in several instances reached to the highest offices of State.

While these volumes in the Russian History constitute so very considerable an achievement, they cannot in the very nature of the case cover with adequate statistical or other specific data many of the problems with which they deal. No one is more conscious of their shortcomings in this regard than the authors themselves. Nevertheless, with inadequate material and under hampering circumstances they have prepared a body of text and a record which, if admittedly incomplete as history, contains at least one element that would otherwise be lost for the future understanding of this great crisis in human affairs, an element which no other generation working from Russian archives could ever supply. We have here the mature comment upon events by contemporaries capable of passing judgment and appraising values, so that over and above the survey of phenomena there is presented a perspective and an organization of material which will be a contribution to history hardly less important than the substance of the monographs.

The Russian Series was in the first instance planned by one of the

most distinguished of Russian scholars who had long been a resident of England, Sir Paul Vinogradoff, Corpus Professor of Jurisprudence at the University of Oxford. To the planning of the Series Sir Paul gave much time and thought. His untimely death in December, 1925, prevented him from seeing its fruition or from assuming the editorial responsibility for the texts. Nevertheless, the Series as a whole remains substantially as he had planned it.

J. T. S.

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CHAPTER I

RUSSIAN METHODS AND AIMS IN ACTIVE ECONOMIC WAR, 1914-1917

1. "*Economic war*" *not planned or intended.*

At the outbreak of the War it was not realized in Russia that the impending struggle would develop into "economic war." Little thought was given to this aspect of the struggle in the days when it was taking shape and even the necessity for economic war under modern war-time conditions was not fully perceived until the whole structure of the State was affected by it. Indeed no one in 1914 had any true conception of what the term "economic war" really means. Even now in the discussions about the World War there is a lack of clarity and agreement among writers of international law or economic history. It may be well therefore at the opening of our narrative to state exactly what is meant in the following pages by the phrase. By "economic war" is to be understood the entire system of war-time measures which the State enacts and enforces directly or through proper persons within its jurisdiction against the sphere of the economic interests of enemy nationals.[1]

At the very beginning of the War the Russian Government issued a statement of the conditions which it accepted as binding upon it during the War. It was entitled "Rules which Russia will observe during the War of 1914."[2] This document alone would supply eloquent proof of the fact that Russia entered the struggle without any clear conception of the vast and complicated phenomena of eco-

[1] Whether, in order to describe the phenomenon under investigation, we use the term *economic blockade, commercial blockade, commercial war,* or *economic war,* is, of course, a matter of minor importance. I suggest the term *economic war* because it is the broadest one and therefore covers more adequately the war-time measures we intend to describe. The content is the matter of real concern, not the term itself.

[2] *Sobranie Uzakoneni* (*Collection of Enactments*), 1914, sec. 2104. The drafting of the enactment was entrusted to a small committee which consisted of M. Shcheglovitov, Minister of Justice, M. Kasso, Minister of Education, Baron Nolde, Jurisconsult of the Ministry of Foreign Affairs, and M. Ovchinnikov, Legal Adviser of the Admiralty.

nomic warfare which were to develop as the War went on. It was an enactment of the Senate[3] sanctioned by the Imperial ukase of 28th July.[4] This Act, which was intended to outline Russian policy concerning the legal framework within which hostilities against Germany and Austria-Hungary were to be conducted, shows no trace of an understanding of the fact that the struggle was also to be fought in the field of economics. The Act was limited to the following provisions:

1. suspension of the operation of treaties concluded with enemy countries;
2. detention of such enemy nationals as were liable for military service;
3. detention of enemy mercantile ships; and
4. confirmation of adherence to a certain number of international conventions dealing with the legal aspects of war and the position of neutrals.

The third measure alone, of those enumerated above, might perhaps be interpreted as directed against the commerce of the enemy, but actually it was merely the application of one of the international conventions which thus became operative (the Sixth Hague Convention of 1907). I shall have another opportunity to discuss the Rules of 28th July at greater length, but for the present it will be sufficient to state that they made no provision for economic war. If, in spite of this, economic war came into being, and developed a system of complex measures, it was because of the events themselves and not as the result of a scheme prepared beforehand. The reason for this was a simple one, economic war had no roots in the traditional policy of the Russian Government. The Rules of 1914 were merely a revision of those of 1904 published during the Russo-Japanese War; and the latter were modeled on the Rules of 1877 issued during the Turkish War of 1877-1878. The precedents, therefore, go back to the practice of Russian wars of the nineteenth century, which developed in an opposite direction from the practice of the rest of Europe. In order, therefore, fully to appreciate the history of Russia

[3] The Senate was the Supreme Court of Imperial Russia.

[4] All dates referring to Russian events are given according to the Russian calendar; dates referring to events outside Russia are in accordance with the western calendar.

in the World War, it will be necessary to glance hurriedly at this historical background, and then to note the extent of the divergence from established practice.

2. *Russian historical tradition.*

The traditional policy of Russia was shaped in accordance with two important factors: on the one hand, the principles of maritime war as adopted in the reign of Catharine II; and on the other, the general doctrine of war worked out by Russian writers and the Russian Government in the second half of the nineteenth century.

Before the building of railroads and the development of land trade, the natural theater of economic war was the sea; it had for its objective ships and their cargoes. The struggle for and against the waging of economic war was therefore concentrated on maritime questions. Empress Catharine was first confronted with the problem in connection with the operation of the fleet of Count Alexis Orlov in the Archipelago during the war with Turkey. Purely political considerations which had nothing to do with theory compelled her from the very beginning to declare herself opposed to any action against sea-borne trade. In a letter to Orlov of 20th July 1770, the Empress commenting on the complaints made by the French representative at Petersburg, following the seizure by Admiral Sviridov of the crew and cargo of the French ship *Heureux*, made the following statement: "The geographical position of Our realm does not allow Us by a mere advance of our fleet upon the commerce and navigation of the enemy to inflict upon him a severe enough blow to achieve Our purpose of reducing him to a condition where he will be prepared to give Us peace on favorable terms." The Empress ordered the fleet "to limit its operations solely to those vessels, belonging to Turkey and her nationals, which are openly hostile to Us."[5] When Orlov in 1772, overstepping the limits laid down by the Empress, issued a proclamation prohibiting the transport of military supplies and foodstuffs to the enemy by sea and promising his protection to other branches of the sea-borne trade,[6] Catharine did not approve of this measure and ordered Orlov not to enforce it.

[5] *Sbornik Russkago Istoricheskago Obshchestva (Publications of the Russian Historical Society)*, 1867, I, p. 44.

[6] *Manifeste du Comte d'Orlow . . . donnée a bord de la frégate le St. Gregoire le 1 May, 1772;* Martens, *Recueil des Traités*, IV, p. 70.

She wrote thus to Orlov on 28th June 1772: "The rigorous interference with the conveyance of grain on neutral ships may lead us into new and, in the present conditions, most undesirable difficulties."[7]

There is no doubt that the experiences of the Turkish War were instrumental in shaping those opinions of Catharine II which found their expression in the Armed Neutrality Act of 1780. "The Empress of All the Russias," recites this famous declaration, "has so clearly expressed the feelings of equity, justice and moderation which are so dear to her, and in the course of the war which she was compelled to conduct against the Ottoman Porte, has given such explicit proofs of her good will toward the rights of neutrals and the general freedom of trade, that She may now appeal to the testimony of all Europe . . ." The Act of 1780 was inspired by the same desire to safeguard the "general freedom of trade" which found an earlier expression in the instructions sent to Alexis Orlov. Its purpose was the establishment of narrow limits to the scope of naval economic warfare. The Act was not a complete disavowal of this form of warfare; it admitted the right of seizure of the private property of enemy nationals carried on ships flying the enemy flag, but at the same time it proclaimed the principle, which was no less important from the point of view of the freedom of private property on the sea, that under a neutral flag enemy cargo was sacred. Although the Empress declared that this principle corresponded to the "fundamental idea of the natural law of the people" (*droit primitif des peuples*), it was in fact in flagrant opposition to the accepted legal practice of that time; and the British Government, objecting to the Declaration, maintained that the seizure of enemy cargo under a neutral flag had been sanctioned by the authorities.[8] It is not without reason that Russian naval circles, which were naturally dissatisfied with the new restriction on the freedom of naval warfare, pointed out that the practice with regard to Russian prize vessels in the Archipelago during the Turkish War was far from harmonizing with the principles of the Declaration.[9] But the con-

[7] *Sbornik*, I, 88; *cf.* Panin's letter to Orlov of 19th December 1772 in *Sbornik*, 1904, CXVIII, 303.

[8] *Diaries and correspondence of James Harris, first Earl of Malmesbury*, 1844, I, 302, note.

[9] Admiral Greig's report to Count Chernishov, as quoted by Sir James Harris, *op. cit.*, I, 306.

tention of the Empress was strictly logical: she was still hostile to any interference with the freedom of private sea-borne trade, especially when it was directed against the Russian mercantile marine in which she was deeply interested and which she considered her creation.[10]

It goes without saying that the Armed Neutrality Act was not a complete repudiation of the practice of naval economic warfare, but it limited it and substantially narrowed its scope. A neutral flag became the palladium of enemy trade. The fact that this innovation was imposed upon Europe by Russia was, of course, something of a paradox. Count Semen Voronzov, Russian Ambassador to London, who had a great deal to do with the problems resulting from armed neutrality at the end of the eighteenth and the beginning of the nineteenth centuries, endeavored to prove to his Government in one of his memoranda dated 1801, that Russia would never have a mercantile marine: because Russian ports are icebound for seven months of the year; because Russia sanctions serfdom and the landlords do not allow their serfs to go abroad for fear they will not return; and because the Russian people hate the sea.[11] In another memorandum of the same year, Voronzov writes, "For physical and moral reasons, Russia has not and never will have a mercantile marine," that it has neither colonies, nor a sufficient navy, but that it is a land power.[12] Nevertheless, "armed neutrality" long remained the central problem of Russian foreign policy, and the Russian Government spared no effort in defending its views on the limitation of naval war. It is true that during the Napoleonic Wars it occasionally gave way to the English point of view. An instance of this is the well-known convention with England entered into on 5/17 June 1801, at the beginning of the reign of Alexander I, by which enemy private property on the sea was denied the protection of a neutral flag.[13] But a few years later, the same Emperor solemnly proclaimed his reconversion to the tradition of Catharine. "With

[10] Harris, *op. cit.*, I, 355; Fauchille, *La diplomatic française et la ligue de Neutres de 1780*, pp. 348 *sqq.*

[11] Martens, *Sobranie traktatov i konvenzi zakluchennikh Rossiei s inostrannimi derzhavami*, 1895, XI, p. 21.

[12] *Ibid.*, XI, 17.

[13] *Ibid.*, XI, 28; Krauel, *Die Petersburger Konvention vom 5/17 Juni 1801 und das Seekriegsrecht, Festschrift für Heinrich Brunner*, 1914, pp. 68 *sqq.*

great concern and regret," runs the declaration of 24th October 1807 on the suspension of the state of peace with England, "has His Imperial Majesty observed that, against good faith and in violation of the explicit provisions of her treaties, England interferes with the sea-borne trade of His Majesty's subjects; and when? At a time when Russian blood is being shed on those famous battlefields where the armies of His Majesty are compelled to withstand the attacks of all the forces of His Majesty, the Emperor of France, with whom England was and still is in a state of war. . . . His Majesty adheres to the principle of armed neutrality, that monument to the wisdom of Her Majesty, Empress Catharine II, and undertakes never to relinquish this policy."[14]

Adherence to the policy of armed neutrality proved to be very firm. At the outbreak of the Crimean War, on 22nd July 1854, the Russian Government immediately accepted the offer of the United States to sign a convention laying down rules of naval warfare which embodied the principles of the Act of 1780, and the American Government then quoted the action of Russia as an example to Great Britain and France.[15] The Russo-American convention of 1854 undoubtedly had an influence on the declaration dealing with naval warfare adopted by the Congress of Paris; it reaffirmed the principle of the inviolability of enemy property under a neutral flag at sea. In the rules of the wars of 1877 and 1904, the Declaration of Paris was confirmed and it became the basis of the Statute of naval prize courts of 1895. During the Russo-Japanese War, an attempt was made to enlarge the scope of naval warfare by a liberal interpretation of the definition of military contraband, but this attempt was checked by Great Britain,[16] at that time a neutral state. In short, the attitude of Russia toward naval warfare was in practice always against the extension of hostilities into the field of purely economic interests. Such prominent Russian international lawyers as Spasso-

[14] *Polnoe Sobranie Zakonov* (*Collection of Laws*), vol. 22, no. 653.

[15] Convention in *Polnoe Sobranie Zakonov*, vol. 28, no. 953; for the Russo-American negotiations on naval war after 1823 *cf.* Schugler, *American diplomacy and the furtherance of commerce*, London, 1886, pp. 367 *sqq.*; Moore, *Digest*, VII, pp. 434 *sqq.*; House of Representatives, *Executive Documents*, 33d Congress, 1st Session, No. 103.

[16] *Correspondance concernant la saisie de la contrabande de guerre durant la guerre Russo-Japonaise*, Martens, *Nouveau Recueil Général des Traités*, 2d series, XXXV, pp. 320-351.

vich, Kachenovsky, and Martens, lent their full support to this doctrine.[17]

Restrictive measures on land against enemy nationals as private individuals were unknown to the Russian Government. The old European tradition, that war brings an end to normal relations between individuals belonging to the belligerent nations, had no application in Russia during the whole period following the Napoleonic Wars. It is true that during these wars the most rigorous measures were taken against enemy commerce. For instance, the ukase of Emperor Paul, dated 22nd November 1800, orders "the suspension of payments on debts due to Englishmen by Russian merchants and the prohibition of the sale of English goods, all stocks of which shall be seized."[18] The ukase of 27th October 1807 went still farther in limiting the rights of English subjects, and contained the following provisions: "Embargo is to be laid on all English ships in Our seaports and on the property belonging to Englishmen on board ship, as well as on trade exchanges and in warehouses. Real property and property not intended for commercial purposes is to remain in the possession of its owners as heretofore, but is not to be sold, mortgaged or transferred. In taking these measures which show Our clemency, we hope that during hostilities the subjects of the British Crown will not commit any breach of duty by becoming party to actions which may be directed against Russia, and will not provoke our just indignation, but will behave with due demeanor, modesty and unobstructiveness."[19] Later on, an enactment came into effect which stated that claims against English subjects were to be met from movable property confiscated from them, and that the balance of such confiscated property was to be used for compensating persons who suffered damages from England on the sea.[20]

These ukases, however, did not create a tradition. On the con-

[17] Spassovich, *O pravakh neitralnago flaga i neitralnikh gruzov* (1851), in *Sochinenya*, St. Petersburg, 1890, III, pp. 3 *sqq.*; Kachenovsky, *O kaperakh i prizovom sudoproizvodstve v otnoshenii k neitralnoi torgovle*, Moscow, 1855; Martens, *Traité de droit international*, translation, Paris, 1887, III, pp. 269 *sqq.*, 313 *sqq.*

[18] *Polnoe Sobranie Zakonov*, vol. 19, no. 660.

[19] *Ibid.*, vol. 22, no. 664.

[20] Report of the Imperial Chancellor approved by the Emperor on 9th August 1811, *ibid.*, vol. 24, no. 743.

trary, from 1812 on, none of the Russian wars were accompanied by any limitation of the private rights of enemy nationals. In official pronouncements issued in connection with military conflicts, it was emphasized that enemy nationals were not parties to the hostilities. For instance, the Imperial Chancellor Gortchakov, in a note of 22nd April 1877 declaring war on Turkey, maintains that Ottoman subjects living in Russia might, if they chose, return to their own country, or might continue to live under the protection of the Russian law.[21] Paragraph I of the Rules issued on 12th-24th May 1877 during the same war embodies the statement of the Chancellor: "The subjects of the Ottoman Porte, residing within the Empire, may continue their residence and carry out their peaceful occupations under the protection of the Russian law."[22] The same provision was incorporated in the Rules issued on 14th February 1904 during the Russo-Japanese War, with the limitation, however, that the Japanese were not allowed to reside within the jurisdiction of the Viceroy (*Namesnichestvo*) in the Far East.[23]

In accordance with the spirit of these enactments, modern legislation and practice in Russia contained none of those private measures which during the Great War were to develop into innumerable limitations of the sphere of the economic interests of enemy nationals.

One may be justified, therefore, in maintaining that the conception of economic war was unknown to the traditional policy of Russia. Only on sea, in the narrow limits laid down by the principles of armed neutrality and the Declaration of Paris, which were strictly adhered to, was it permitted to take hostile action against enemy property under a neutral flag; but Russia was not a naval power and this casual departure from the policy of non-participation in economic war was of very small importance. In Russia, war was understood to be a struggle between armed forces, not an attempt to injure the economic interests of enemy nationals.

3. *Origins of official policy.*

How did it happen then, that Russia, in striking contrast to her traditional policy, became a party to economic war, adopting a num-

[21] Martens, *Nouveau Recueil Général des Traités*, 2d series, III, p. 190.
[22] *Ibid.*, p. 216. [23] *Ibid.*, XXXV, p. 321.

ber of measures which had nothing to do with the view of war accepted by her, as a struggle between armed forces, which measures were solely directed against the economic interests of the enemy? This took place not through the logical development of legal doctrines, but purely by the pressure of events. The Russian Government did not arrive at these special measures, the aggregate of which constitute the policy of the economic war of 1914-1918, by a series of deductions based on the traditional view of economic war as accepted in other countries. On the contrary, Russian measures of economic war were dictated by circumstances; they responded to the necessities of this or that particular moment, in order that the struggle against the enemy might be carried on successfully.

On 23rd August 1914 as a result of rumors that the deposits of Russian nationals in German banks had been confiscated, the Russian Council of Ministers was confronted with the problem of enemy deposits and capital investments in Russian banks. The objections, set forth in the minutes of the Council, to the adoption of a similar course of action are well worth noting. "The inviolability of the private property of enemy nationals is a principle firmly recognized by international law. Declaring itself in favor of the principles stated above and against any general measures of confiscation or sequestration of money, securities or other valuables belonging to nationals of Austria-Hungary or Germany entrusted to Russian banks, the Council of Ministers believes that this conviction would hardly be weakened, even though the seizure of such Russian assets deposited abroad might be proved beyond doubt. The rejection by an enemy of the right of property guaranteed by international treaties and conventions does not in itself constitute an excuse for action contrary to established law and justice. Nevertheless, it cannot be denied that exceptional circumstances may arise, which will compel us to take extreme measures, including the non-observance of the right of private property. It is true that there is no ground as yet for undertaking a detailed examination of this matter. The apprehension that non-interference with the right of enemy nationals to claim their deposits may give them an opportunity to use the funds thus obtained against Russia and to the advantage of the Powers with whom we are in a state of war, seems to be devoid of foundation. In fact, the transfer of deposits and assets from Russian depositories to German and Austro-Hungarian banks, firms, and private persons

is made practically impossible by the suspension of all communication with the above-named countries. It also seems most unlikely that deposits and assets could be transferred to subjects of neutral countries acting as agents for the above-named establishments and firms, as any such transaction must be duly certified by the responsible Russian consular officer. It goes without saying that with the suspension of the duties of our consular officers and their departure from Germany and Austria, no document requested in favor of persons residing in Germany and requiring the certificate of such officer could be drawn up. With regard to the case of depositors among enemy nationals who are allowed to continue their residence in Russia during the War, one should remember that the direct transfer to their home countries of moneys they might draw from Russian banks is hardly possible, considering the suspension of postal relations and that the discontinuance of the exchange of paper money for gold makes the realization of securities of no practical advantage."

The minutes go on to say that the emergency powers of local administrative officers include the right of confiscation of real property and the seizure of movable assets of enemy nationals. It is however pointed out that "the Council of Ministers, while admitting the possible application of such emergency measures to moneys, deposits and securities belonging to enemy nationals, thinks it important to keep in mind the serious effect which the extensive use of such measures is bound to have upon home industry and commerce. It is hardly necessary to emphasize the fact that, as a result of the peculiar course of our national economic development, up to the present time a large number of the commercial and industrial organizations of Russia belong to foreigners, among whom the Germans are prominent. Upon these concerns, that is, upon their uninterrupted operation, intimately depend the interests of Russian industrial circles, of the workmen employed by them, as well as those of government departments which have been accustomed to place orders with them. It appears, moreover, from the available sources, that the larger portion of moneys and deposits entrusted to Russian banks by the nationals of Germany and Austria-Hungary is the property of owners of various establishments and firms operating legally in Russia. Under these conditions, one may well apprehend that the seizure of the aforesaid assets, and the consequent loss to these establishments and firms of their operating funds, would lead

to their liquidation, or at least to the cutting down of production, and to failure to meet their obligations. This undoubtedly would have an adverse influence upon economic life and a disturbing effect upon the normal development of commerce and industry.

"The Council of Ministers also believes that, were the violation by German or Austro-Hungarian authorities of the property rights of Russians abroad duly established, the damages and losses thus suffered should be compensated by appropriate provisions in the peace treaty by the country concerned. This course is not only strictly legal, but under the existing circumstances seems to be the most suitable. It is known that the sum total of private Russian capital in German and Austro-Hungarian banks exceeds the amount of such capital belonging to nationals of those countries on deposit in Russian banks. It follows that the seizure of German and Austrian capital in Russia, as a measure of retaliation, would not in the end serve our interests. The application of such methods at this time would jeopardize the possibility of obtaining in the future adequate compensation through peace negotiations with the Powers with whom we are now in a state of war."

If we lay aside the practical question upon which the Council of Ministers was called to pass its opinion, the fundamental principles of this document, which states the official Russian position at the outbreak of the War, present an unqualified denial of economic war. At that time, the Russian Government believed economic war to be contrary to law, as well as inexpedient. The continued operation, within Russia, of the work of enemy firms was especially emphasized as an essential need of Russian industry. The Council of Ministers tried to support its disavowal of the principles of economic war with such frail arguments as the impossibility of the transfer through neutral agents of German capital from Russia, because of the recall of Russian consular officers from Germany and Austria and the consequent absence of proper authority to sign the necessary documents.

This negative attitude, however, toward the principles of economic war did not persist. The Act of 22nd September 1914 prohibited the purchase by enemy nationals of real property in Russia, as well as their management of such property. At the same time the following questions were raised: the suspension of payments due enemy nationals; the limitation of their right to own real property;

the limitation of their right to participate in industrial undertakings; etc.

On 7th October 1914 the Council of Ministers again discussed the status of enemy nationals, and this time its views show a considerable departure from those of August of the same year. The question was raised by a telegram sent by Grand Duke Nicholas Nicholaevich to M. Goremykin, President of the Council of Ministers, in which he complains of the "incredible atrocities" committed by German and Austrian troops, and asked for "immediate and rigorous measures" against enemy nationals. M. Sazonov, Minister of Foreign Affairs, declared himself to be decidedly against any measures of confiscation of enemy property in Russia, but added that, in his opinion, "the struggle against German and Austrian nationals should be waged in the economic field, in order to set Russia free from economic domination by the Germans." "In this respect," he said, "particular attention should be paid to the measures directed toward the liquidation of German estates, which have assumed an alarming magnitude, especially in that part of the country adjoining the western frontier, and which in recent years have shown a tendency to increase in other vital centers."

The Council of Ministers, while again rejecting the confiscation of the capital of enemy nationals for the same reason—the safeguarding of industrial and commercial interests,—lent its support to the suggestion of Sazonov concerning the liquidation of estates belonging to enemy nationals. The general argument in favor of this policy was "the anti-German and anti-Austrian feeling which is deeply rooted in various classes of the community and which, coming into existence at the outbreak of the War, is now steadily growing under the influence of reports concerning the cruelty displayed by the enemy and its complete contempt for the rights of the civil population." The liquidation of German estates was considered particularly desirable "because the present war creates especially favorable conditions for the definite and final solution of the aforesaid problem." In this argument, the legal doctrine, that private property belonging to the enemy may not be interfered with, is absent, and considerations of a purely utilitarian character are substituted for it. It was considered fitting to respect enemy private property of an industrial or commercial nature, but to deny its rights completely in the case of enemy estates in the frontier zone. In this respect, the governing

principle was "Freedom from the German yoke," a watchword which soon became very popular. No attempt was made to excuse this formula from the point of view of a general doctrine of war. The War was simply a convenient moment for achieving certain aims of domestic economic policy.

The meeting of the Council of Ministers on 7th October 1914 is an important landmark in the history of Russian measures toward economic war. The minutes of the meeting of 23rd August 1914, which were circulated among the members for approval on the morning of the same day, and which, as we know, proclaimed so definitely the inviolability of private property owned by the enemy, were tabled after the meeting of 7th October, and were finally struck out. M. Shcheglovitov, Minister of Justice, who took the initiative in refuting the former view of the Council, wrote to his colleagues that the minutes of the meeting of 23rd August "provoke grave doubts," and communicated to the members of the Council his intention to lay before them a draft decree prohibiting payments to enemy nationals. This draft, which was laid before the Council of Ministers about the middle of October, was as a matter of fact based upon considerations very different from those which inspired the Council of 23rd August 1914, which were a definite disavowal of any restriction whatsoever upon payments to enemy nationals.

The draft decree of the Minister of Justice was discussed by the Council on 21st and 31st October, and became a law on 15th November 1914. It prohibited payments to enemy nationals, and inaugurated a system of measures which may be described as the financial blockade of the enemy. At the same time, this Act contained a provision which became the point of departure for another set of measures directed against the economic interests of enemy nationals. In contravention with the statement in the rejected minutes of the meeting of 23rd August and also in those of the meeting of 7th October, the law of 15th November took the first step toward limiting the freedom of commercial and industrial concerns, established in Russia and belonging to the nationals of Germany and Austria-Hungary. It is true that, for the time being, it took the modest form of a nominal control over such establishments, but nevertheless the doctrine, so firmly proclaimed by the Council of Ministers, was undermined.

The consequences of this precedent were not slow in making themselves felt. In October and November 1914 considerable pressure was brought to bear upon the Council of Ministers, especially from military quarters, to extend to commerce and industry the application of the watchword, "Freedom from the German yoke." With the support of General Sukhomlinov, Minister of War, General Vander-Flit, commanding the Sixth Army stationed in the province of Petrograd, earnestly requested the Prime Minister, M. Goremykin, to close up industrial and commercial concerns owned by enemy nationals and to sequester those of them which might be used for military purposes. The Council of Ministers refused to accept this program in its entirety, but at the same time it departed considerably from its former views concerning enemy commercial and industrial establishments in Russia, undoubtedly under the influence of the precedent created by the Law of 5th November 1914 relating to the suspension of payments. In the minutes of the meetings of the Council on 17th, 21st, and 24th October, and on 8th and 14th November 1914, which contain a systematic record of the discussions, we find the following statement.

"The third group of measures suggested by the Minister of War and the officer commanding the Sixth Army deals with the closing for the period of hostilities of all industrial and commercial concerns owned by the nationals of Germany and Austria-Hungary, and with the sequestration of those of them which can be adapted for military purposes. After a careful examination of this suggestion, the Council of Ministers find it impossible at this stage to agree to the application in full of the measures mentioned above. The probable effect on the economic life of the country by the complete liquidation, or the restriction of production, of the numerous German and Austrian firms, factories, and similar concerns established in Russia has been discussed above. The present conditions, which put an exceptional strain upon all the resources of the country, require a firm conservation of unrestricted commercial intercourse within the country, and it is the primary duty of the Government to prevent any forceful measures which are not justified by necessity. In the opinion of the Council of Ministers, however, with regard to the matter under discussion no such necessity has as yet arisen. It appears from the letter of General Sukhomlinov that information as to the activity directed against our interests has reference only to

individual firms, and that, moreover, not all of these are owned by enemy nationals; some of them, Russian from the legal point of view, are dominated unofficially by German and Austrian influence. One should also take into consideration that with the enforcement of regulations with regard to deportation and the limitation of the freedom of residence of enemy nationals within the Empire, the greater number of factories and such organizations belonging to enemy nationals will be deprived of the immediate management of their owners, and will therefore be disposed either to close down, or to pass into the control of persons not subject to the Power with whom we are at war.[24] In an exceptional case, where a German or Austrian manufacturer, in spite of his allegiance to an enemy state, is not deported and is allowed to continue operations, the very fact of the waiving of limitations as a mark of confidence, in his case seems to make unnecessary any restriction against his property. Under these circumstances, the Council of Ministers thinks it desirable to take no general measures for the closing of all German and Austrian concerns, but to make careful inquiry as to those which appear suspicious or undesirable. The information thus obtained will serve as a basis for the measures to be taken in each individual case. In making a decision, attention will be paid to the fact that the owner of every large undertaking enjoys a certain amount of influence in the surrounding district, which is dependent upon him in various ways; and that this influence, in ways which might not admit of direct restraint, could be used either directly or indirectly to the detriment of the State, for instance, to provoke strikes, excite discontent among local people, etc. The Council of Ministers thinks it best to entrust the prosecution of such inquiries to a special interdepartmental committee under the auspices of the Ministry of Commerce and Industry, which committee shall include representatives from the Departments of War, the Admiralty, Finance, the Interior, Justice, and Foreign Affairs. It shall also be the duty of this committee to discuss the provisional taking-over of

[24] One should also remember that the Council of Ministers decided "to allow all nationals of Powers with whom Russia is in a state of war to leave the Empire by a certain date, with the exception of those who are liable for military service; those who do not accept this provision will be deported from the place of their permanent residence to some location designated by the Ministry of the Interior for the concentration of enemy nationals."

factories, works, and other concerns, which may be used for the purposes of the Ministry of War."

The appointment of this official committee for the investigation of commercial and industrial concerns marks a new departure in the attitude of Russian governmental circles from the point of view of interest in enemy undertakings and the possibility of the confiscation of such concerns by the Government. The struggle against the "German yoke" is now transferred to the field of commerce and industry, which was disregarded when war was first declared on enemy landed property. Indeed, from now on, the restrictive policy steadily develops in this direction. The Law of 11th January 1915 ordered the closing of enemy concerns. On 1st July of the same year the Council of Ministers was empowered to liquidate joint-stock companies controlled by enemy nationals, even those engaged in active production. On 8th February 1917 the compulsory sale of securities held by enemy nationals was ordered. Each of these measures was accompanied by a number of others relating to its enforcement. I am quoting here only the principal landmarks, but they are sufficient to show the trend of Russian policy concerning economic war. I have already called attention to the other field of restrictive legislation. It contains measures directed against landownership by the enemy, beginning with the Law of 2nd February 1915: "On the ownership and tenure of land in the Russian Empire by the nationals of Austria, Hungary, Germany and Turkey."

All this succession of diverse measures, which we will later examine in detail, is distinguished by one common feature. They are all directed against the economic interests and private rights of enemy nationals which are sacrificed to definite purposes of national economic policy not closely nor of necessity connected with the War, but at times exceeding strictly military needs. When in 1916 a special committee was appointed "for the coördination of all measures against the German yoke, with the chief purpose of enforcing the laws dealing with landownership by the enemy," the Council of Ministers characterized its policy in the field of economic war as follows: "From the outbreak of the War, which has revealed Germany's decidedly aggressive nature, the Russian Government has taken a number of legislative and administrative measures to offset the peaceful penetration of German influence into various branches of Rus-

sian economic life, a penetration which has increased to a large degree in the course of the last decade. The leading principle underlying all these measures is twofold: it is aimed, on the one hand, at the exclusion of the foreigner and of foreign concerns from the probable zone of military operations; on the other, at the release of the economic system of the country from German influence."[25] This policy of the Russian Government is indeed far removed from the doctrine expressed by the Council of Ministers on 23rd August 1914 that "the inviolability of private property of enemy nationals is a principle firmly recognized by international law."

4. *Russia's naval economic war.*

The measures described above represent the essence of the economic war against Germany, as it was understood in Russia. It differs from the policy adopted by her allies by the complete absence of provision for hostile action on the sea. We have seen that in the Baltic and Black Seas, Russia remained the passive object of German economic war, her shores being *de facto* blockaded by Germany; while in the North Arctic Ocean, the White Sea, and the Pacific Ocean, she had no naval force sufficient to prevent enemy maritime trade, even if it had been possible to carry on such trade in those waters.

Russia's participation in the naval economic war was limited merely to the adoption of some of the provisions by means of which Great Britain had built up her blockade of Germany. In order that it may not be necessary to return to this subject, I should like to give a few data on this legislation.

The Rules of 28th July 1914 stated that Russia would follow the Declaration of Paris of 1856 and the five conventions of The Hague of 1907 on naval war and neutrality; none of these enactments, however, gives a sufficiently close definition of the principles on which the struggle against enemy maritime trade should be conducted. During the very first days of the War, the American Government inquired at St. Petersburg whether or not Russia would adhere to the London Naval Declaration which, it will be recalled, embodied the latest attempt made by the Powers to codify the fundamental provisions of naval warfare, especially those dealing with the

[25] Minutes of the Council of Ministers, meeting of 1st March 1916.

blockade and military contraband. Russia did not make an independent answer; it was fitting that the decision regarding this fundamental question should be made by Great Britain. It will be remembered that Great Britain adhered at first to the Declaration of London, with a few, then still incomplete, reservations. The British Order in Council dealing with this matter was issued on 20th August 1914. Three weeks later the ukase of 1/14 September 1914, "on the application of the rules of naval warfare laid down by the Conference held in London in 1908-1909, with some reservations and amendments," was published in the Russian Official Journal;[26] it was an almost verbatim translation of the British Order in Council issued on 20th August 1914. This ukase, as well as its British model, was the first attempt to revise the definition of military contraband as given by the Declaration of London, particularly its definition of the measures to be taken against supplying so-called conditional contraband to Germany through neutral ports. This first attempt was followed in Great Britain by another, more drastic, in the Order in Council of 29th October 1914, which refused to grant to neutral countries trading with the enemy unobstructed commerce in goods classified as conditional contraband. This Order in Council, together with two others, revising the list of contraband goods, of less importance from the point of view of principle, also finds its way to the Russian statute books. But with characteristic delay! The Russian ukase,[27] "on the amendment of Articles I to V of his Majesty's ukase on the application of the rules of naval warfare laid down by the London Conference in 1908-1909," comes two months after the British one, allowing for the difference between the two calendars. This fact alone shows that the Russian Government had no particular reason for haste.

The next important step in the development of British legislation on naval warfare is entirely omitted from the official collection of Russian enactments. I refer to the Order in Council of 11th March 1915, which prohibited all maritime relations with Germany, and ordered the compulsory unloading in British ports of all cargoes of enemy origin, or bound for enemy territory, or belonging to enemy nationals. It is well known that this Order in Council put in force the complete naval blockade of Germany by Great Britain. Russia

[26] *Sobranie Uzakoneni*, 1914, Art. 2352. [27] *Ibid.*, 1914, Art. 3310.

did not take part in this blockade; and it is therefore only natural that in this respect Russian legislation did not conform, as the French did, to British action.

But this is only an interruption in the policy of borrowing from the British. On 20th October 1915 Great Britain issued an Order in Council which repealed Article 57 of the London Declaration, which stated the continental rule that the nationality of a vessel is determined by its flag, and substituted for it the rules "formerly applied" by British prize courts. Four months later, this Order in Council was adopted and promulgated in Russia as the Imperial ukase of 4th February 1916.[28] In the Russian ukase, the reference to the former practice of prize courts does not appear; Article 57 (Part I) of the London Declaration is replaced by a new rule, which declares that the nationality of a vessel, from the point of view of naval law, is determined by the *interests* it represents, enemy, neutral, or ally, as established by the allegiance or the residence of the parties concerned. In other words, the Russian ukase reproduces the principles laid down by the British Order in Council.

It is well understood that the innumerable attempts made in Great Britain to amend the Declaration of London finally resulted in its repeal. The British Order in Council to this effect was issued on 7th July 1916. Again, four months later, a similar ukase[29] was promulgated in Russia (8th November 1916) on the discontinuance of the rules of naval warfare laid down by the Conference held in London, 1908-1909. "The agreement reached on this subject with the Allied Governments of France and England" is the reason given for the repeal of the London Declaration. The ukase repealing the declaration contained a number of provisions designed to remove some of the essential shortcomings of the Russian prize court rules. Here ends Russia's participation, on paper, in the creation of those measures which became operative on the seas during the War.

Russia never had an opportunity to put into practice the ukases cited above. Of the few merchant vessels sunk or seized in the Baltic and Black Seas during the three years of the War by the Russian fleet, the majority were flying the enemy flag, and most of them were freighters of small tonnage, so that their seizure passed almost unnoticed in the general trend of the economic war.

[28] *Ibid.*, 1916, Art. 237.

[29] *Ibid.*, 1916, Art. 2664.

5. *Russia's economic war on land.*

The chief objective of the policy carried on by the Russian Government under the slogan "Liberation from the German yoke" was the economic interests of the enemy in Russia. These measures were not, strictly speaking, directed against the enemy Powers. The theoretical declaration of war on the maritime trade of the enemy was without any practical significance. It may seem, therefore, that no direct injury was done to the economic interests of the enemy, at least no immediate and substantial injury, as viewed from the general standpoint of the gigantic struggle. There was, however, a third field of Russia's activities in economic war. This may be described as the embargo. In normal times, commercial intercourse with Russia was of primary importance to Germany. Having neither command over the seas, nor the opportunity for contact with Russia through Sweden and the Baltic provinces, Germany and, to a certain extent, the other members of the German coalition were particularly interested in time of war in holding their place on the Russian market. In this respect, the embargo declared by Russia at the moment of the outbreak of hostilities was bound to have important consequences. Here lies, perhaps, the most important and effective contribution of Russia to the economic struggle of 1914-1918.

We shall see, however, that in the field of the embargo also the policy of Russia seems to have been imbued with a good deal of opportunism. Instead of firmly proclaiming the principle of prohibition of trade with the enemy, the Russian Government merely enforced partial measures, permitting a certain amount of latitude in the importation of goods of enemy origin into the country. It was only with regard to the export of Russian goods to enemy countries that the policy of the Russian Government was firm and unequivocal; at a heavy sacrifice, it suspended all export to Germany from the very first days of the War, and remained faithful to this principle until the end. The occupation of certain parts of Russian territory by the troops of Germany and Austria was the only way by which those countries could obtain Russian raw materials.

But in spite of the very real importance of the embargo, the considerations on which it was based did not allow it to be raised to the status of a principle. "Prohibition of trade with the enemy" as a

point of departure in economic war was not enlarged upon. When, in the third year of the War, it was finally introduced into Russian legislation, the whole gamut of other measures of economic war had already been gone through, and the prohibition remained a more or less unnecessary adornment on the statute books.

CHAPTER II

THE BLOCKADE OF RUSSIA

1. *Origin and character of the naval blockade of Russia.*

Russia was not only an active participant in the prosecution of the economic world war, but she was at the same time its objective; that is, measures of economic war were directed against her. Furthermore, while the economic war which was conducted by her allies against her enemies was intended to help Russia in the final outcome, as an effort directed to the achievement of a common purpose, yet it also reacted upon her in a negative way: the blockade of Germany by Great Britain was indirectly the blockade of Russia.

The simultaneous blockades of Russia by her enemies and her allies, directly as a result of measures taken by the enemy, and indirectly because of the action of her allies against the Central Powers, must be explained by a very simple, geographical factor: the situation of Russia in the theater of the World War. If we leave aside the sea routes remote from the principal theaters of war, such as the Pacific Ocean, which came under the control of the Allies after the exclusion of German men-of-war early in November 1914,[1] and the Arctic Ocean with the White Sea, which remained free throughout the War, and consider for the time being only the direct routes leading from Russia into European waters,—the Baltic and the Black Seas,—it will appear that almost from the very outbreak of hostilities Russia was deprived of maritime routes to the outside world. The Baltic Sea through the Danish straits and by way of Sweden and Norway led to the North Sea governed by the iron rule of the British blockade; the Black Sea was also closed by the Dardanelles; and the only open trade route was the relatively unimportant one of the Danube, which was constantly menaced and finally closed. The geographical position of Russia is such that, during a war on the scale which the Great War assumed, her blockade was unavoidable from the very beginning.

[1] C. Ernest Fayle, *Seaborne Trade,* London, 1920, I, p. 337. (History of the Great War based on official documents by direction of the Historical Section of the Committee of Imperial Defense.)

I have stated above that the blockade of Russia was brought about by two factors opposed one to the other from the political and military points of view: the economic war declared on Russia by Germany, and the economic war declared by Great Britain on Germany. The two factors, so different in their origins, became one in their ultimate result; and being so intimately connected, each affected the situation of Russia in a like manner. Let us take the Baltic Sea. The southern waters of the Baltic Sea were controlled by Germany, who paralyzed the trade activities of Russia in those waters. The Gulf of Bothnia and the trade route by way of Sweden remained free. But the route past Sweden led to the North Sea, and was subjected to all the consequences of British naval rule, with the result that Russia, while using this route, was forced to experience all the effects of the struggle as to the meaning of neutrality which took place between Great Britain and certain of the non-belligerents. These two very different factors, acting at the same time, would seem, at first glance, to have brought about an unexpected situation; one which may be described as the *blockade of Russia*, "blockade" of course being used, not in the technical sense, but with that economic and historic meaning which is used to distinguish the economic war measures of Great Britain against Germany during the Great War.

It may be of interest for us to consider this situation in its entirety as the concurrent result of all the factors involved. We shall, of course, take note of the effect of each of these factors, but primarily our interest lies in their aggregate effect: that is, the blockade of Russia. This is of fundamental importance in the subsequent history of the part played by Russia in the economic war.

2. Suppression of Russian trade in the Baltic Sea.

From the beginning of the War, a portion of the German fleet, mainly older battleships, was assigned to the Baltic Sea. The Kiel Canal, closed to foreign flags, made it possible to rely in case of emergency upon these battleships in the North Sea which naturally remained the center of the German defense. But the number of battleships assigned to the Baltic Sea was certainly large enough to ensure the supremacy of Germany over the Russian fleet.

At the same time, it became clear from the very outbreak of hostilities that the German and Russian fleets would be the only ones in the Baltic Sea. Before the War, the British Government had warned

the Russian Government that, in case of war with Germany, the British fleet would not appear in the Baltic Sea. In 1912, replying to a question of Sazonov as to what Great Britain would do in case of war, Sir Edward Grey said, "The departments concerned have already discussed the possibility of a naval action in the Baltic Sea, and they have come to the conclusion that while it would not be difficult for the British fleet to enter the Baltic Sea, its presence there would be a highly dangerous undertaking, as it is conceivable that Germany might force the hand of Denmark, and close the Belt, thus catching the British fleet in a mousetrap."[2] In accordance with this plan, no units of the British fleet were expected to enter the Baltic Sea, though a few submarines did do so at a later date; and the German men-of-war assigned to this region were destined to meet only the Russian fleet.

The régime established in the Danish straits from the outbreak of the War fully justified Great Britain's apprehensions. On 7th and 8th August 1914, Denmark and Germany signed an agreement, in accordance with which the Great Belt was mined by both signatories, and the passage through the Danish straits was closed to all battleships (vessels of the mercantile marine were piloted through in the daytime by Danish pilots); on the other hand, Germany undertook to refrain from military action in the Skager-Rak and in the Cattegat.[3] Only the Swedish portion of the Sound remained open; the efforts of Germany to obtain the closure of the Swedish straits proving unsuccessful. Nevertheless the description of the Baltic Sea, given by Grey, as a mousetrap for the British fleet was undoubtedly justified by the circumstances.

The numerical relation in the Baltic Sea between the Russian fleet and the German fleet was such that the supremacy of the latter was fully established. From the outbreak of the War, the Russian fleet drew a protective cordon along the line formed by the Aland Islands, Helsingfors, Revel, Moon Sound, and the Gulf of Riga. The fleet successfully protected the entrances of the Gulf of Bothnia, the Gulf of Finland, and the Gulf of Riga, but avoided direct

[2] Report by Sazonov to the Emperor, September 1912. *Krasni Arkhiv (Red Archive)*, III, 1923, p. 18.

[3] Firle, *Der Krieg in der Ostsee*, 1921, I, pp. 48 *sqq.*; 162 *sqq.* (*Der Krieg zur See 1914-1918*, published by Marine Archiv); Tirpitz, *My Memoirs*, II, p. 373, note 1.

action with the German fleet. On the high seas, Germany exercised unrestricted control over the trade of Russia and over all the sea routes between Russia and the allied and neutral countries. Germany's naval historian says: "In the Baltic Sea our position toward Russia was not unlike the position held toward us by Great Britain in the North Sea. There was no need for us to fight against the Russian fleet, which kept to its base in the Gulfs of Finland and Riga. It was quite enough that with the assistance of the reserve of our North Sea fleet, we were in a position to carry out from time to time naval demonstrations in Russian waters."[4]

Let us leave for the time being the route to Sweden by way of the Gulf of Bothnia, and concentrate upon the southern section of the Baltic Sea. The dominance of Germany in these waters resulted in the complete severance of all relations between the Russian shores and the outside world. The explanation of this situation is a very simple one. Indeed all such traffic under the Russian flag was placed under an embargo by the German rules of naval war. It will be recalled that the German Prize Statute of 30th September 1909, which became operative with the outbreak of hostilities, was based entirely upon the London Naval Declaration of 1909, which placed no limits on the seizing of vessels under the enemy flag. Traffic with Russia under a neutral flag also presented considerable danger, and no attempt was made to surmount it. As a matter of fact, navigation between Russia and Sweden through the southern waters of the Baltic Sea was practically unnecessary, so long as the route north of the Aland Islands remained open; all other routes passed through the Danish straits, the entrances to which were guarded by the German fleet. The Declaration of London, which from the very first months of the War proved inadequate for the working out of the British blockade of Germany, provided a sufficiently legal foundation for German measures of control over the relations of Russia with neutral countries. Of course, from a purely academic point of view, certain articles of the merchandise which in accordance with the Declaration of London (Article 28) could not be declared military contraband, could be used for the Russian import and export trade. But the machinery of the prize courts constituted a very real danger to such trade, even within the limits laid down by the Declaration, not to mention the fact that the discovery of military contra-

[4] Firle, *op. cit.*, I, 127. *Cf.* Bernotti, *La guerra marittima*, 1923, I, p. 140.

band under a neutral flag might, under the provisions of the same Act, lead to the confiscation not only of the cargo, but of the vessel itself (Article 40). At any rate, it was apparent from the very beginning that, as a result of the domination of the southern waters of the Baltic Sea by the German fleet and the consequent limiting of the activities of the Russian fleet to shore defense, navigation from Russian Baltic ports was doomed.[5] This meant the loss of trade routes through which in 1913 about one-third of the total imports and exports of Russia passed.

The situation created in the Baltic Sea at the beginning of the War, which amounted practically to the blockade of Russia by Germany, remained unchanged throughout the first year of the War. The régime imposed on the Danish straits persisted; the straits were *de facto* closed to battleships and were open to the mercantile marine of Sweden and Denmark only. This régime was as satisfactory to Germany as it was to Great Britain. It is true that protests were made by Germany against the exclusion of battleships from the Skager-Rak and the Cattegat, with the Belts and the Sound, as restricting the freedom of the German navy concentrated in Heligoland.[6] But the original agreement continued in force, because after all the German fleet never undertook the active operations against Great Britain to further which it was urged that the *de facto* neutralization of the Danish straits should be abandoned. On the other hand, with regard to the freedom of the trade route to Denmark and Sweden, which was of equal importance to Germany and to Great Britain, neither country interfered with the established order, limiting themselves to the control of maritime trade in either direction. German maritime trade in the southern waters of the Baltic Sea continued to develop unhindered, while Russian trade was impossible.[7]

A considerable change took place in the summer of 1915 as a result of the German occupation of the shores of the Baltic Sea, from the frontier to the Gulf of Riga. The advance began in April; Libau was occupied on 7th May, and Windau, in July. Though the

[5] *Vindavski torgovi port* (*The Commercial Port of Windau*), in *Vestnik Finansov*, 1915, no. 17, p. 172.

[6] Tirpitz, *op. cit.*, pp. 361 *sqq.*

[7] Rudolph Firle, *Einfluss des Weltkrieges auf Schiffahrt und Handel in der Ostsee*, 1922, pp. 37 *sqq.*

attempts of the German fleet to seize the Gulf of Riga did not succeed and the Russian fleet, strengthened in the meantime by four new battleships, continued to control Moon Sound and the Gulf of Riga,[8] nevertheless, with the occupation of Libau and Windau, all hope of resuming Russian navigation in the Baltic Sea had to be abandoned. The occupation of Riga and Moon Sound midway in the course of the Russian revolution, summer and autumn of 1917, brought the operations begun in 1915 to an end.[9] The seizure by the Germans of Russia's only Baltic ports, Libau and Windau, and the consequent loss of access to the southern waters of the Baltic Sea, in the autumn of 1915, was compensated to a certain extent, from the point of view of the naval struggle with Germany, by the appearance in Baltic waters of British submarines.

From the autumn of 1915, the British submarines with the help of the Russian submarines became a menace to the trade communications between Swedish and German ports on the Baltic. This was an important achievement, as northern Sweden had been supplying Germany with iron ore, an essential industrial commodity. Germany mined the approaches to the Aland Archipelago, but was unable to check the submarine activity. However, the general situation on the Baltic Sea, and especially with regard to Russian navigation, was not essentially affected by the appearance of this new factor.[10]

3. *Maritime routes north of the Aland Islands.*

In spite of the supremacy of the German fleet in the Baltic, Russian naval forces achieved at least one result of the utmost importance in the conduct of economic war: the route north of the Aland Islands, between the Swedish and Finnish ports on the Gulf of Bothnia remained open. It would appear, therefore, that a gap was left in the German blockade of the Baltic shores which weakened the practical effect of the blockade and gave Russia free access to the open sea by way of Sweden, and with the assistance of the Swedish

[8] J. N. Danilov, *Rossya v Mirovoi Voine 1914-1915 g.g.* (*Russia in the World War*), 1924, pp. 343, 351, 366, 371.

[9] Scheer, *Deutschlands Hochseeflotte im Weltkrieg,* 1920, pp. 416 *sqq.*; Max Hoffmann, *Der Krieg der versäumten Gelegenheiten,* 1923, pp. 184, 194.

[10] Fayle, *op. cit.*, II, 160; Hildebrand, *De Svenska Statsmakterna och Krigstidens Folkhushållning, 1914-1915,* 2d ed., 1916, pp. 151, 153.

mercantile marine which was not interfered with. But Sweden was a neutral country which suffered from the consequences of the naval policy, and these consequences had a peculiar effect upon Russian transit: the route by way of the Gulf of Bothnia led Russia out of the reach of the German blockade into the area of the British control. But before we undertake a survey of the Russian trade route via Sweden, we may speak briefly of the fate of the maritime route north of the Aland Islands.

From the first months of the War, the waters of the Baltic were divided into distinct divisions, each of which existed under a different authority. First of all, we may consider the high seas of the southern Baltic, where, as we know, the situation was characterized by the control of Germany and the freedom of neutral shipping within the limits of German naval law, which, however, forbade all communication with Russian ports. Second, there were the Gulfs of Riga and Finland which from October 1914 had been closed to foreign shipping, including that of neutrals. On 4th October 1914, the Russian Government had issued the following notice: "As a result of the appearance of German submarines in the waters adjoining the Gulf of Finland and the planting of enemy mines along the Russian coast, the Imperial Government give notice hereby that the naval authorities have been compelled to plant extensive mine-fields and that therefore the following waters are dangerous for navigation: north of 58° 50′ north latitude and east of 21° 0′ east longitude (Greenwich), as well as the entrance to the Gulf of Riga and the coastal waters of the Aland Archipelago. As a consequence of the measures described above and to prevent undue risk to persons not involved in military operations, the Gulfs of Finland and Riga are closed to all shipping from the date of the publication of this notice."[11] And third and last, there was that portion of the Baltic Sea, referred to in this notice, lying north of parallel 58° 50′. It contains the Aland Archipelago and the vast region of fiords and rocky islands which separate the Gulf of Bothnia from the rest of the Baltic Sea. Russia's control over the Aland Islands and the adjoining waters converted the Gulf of Bothnia into a Russo-Swedish sea almost entirely unaffected by naval operations.

From the opening months of the War, Swedish shipping companies established a regular service between the Swedish and the

[11] *Morskoi Sbornik* (*Naval Yearbook*), 1914, no. 11, p. 121.

Russian ports on the Gulf of Bothnia. The ports of Gefle in Sweden and Raumo in Finland were particularly active. Until December 1914 these trade relations proceeded without hindrance, but on 6th and 7th December three Swedish boats were sunk by German mines in the zone of the Bay of Mentiluoto. This led to the closing of the Finnish ports by Russian authorities, though for only a short time. In February 1915 the ports of Finland were again thrown open, and the Swedish Government resumed the insuring of Swedish vessels and freights, as well as that of Russian cargoes of foodstuffs directed to Sweden. Thanks to this measure, trade relations were resumed and their volume increased month by month, in spite of the fact that during the first month the mercantile marine of Sweden lost two large freighters by mines. In the summer of 1915, the German fleet made another attempt to plant mines north of the Aland Islands, but without success. Toward the end of July and early in August 1916, German submarines made an appearance in the Gulf of Bothnia, but again without substantial results, except for the strengthening by Russia of the protective barrier of mines in the Aland Archipelago; the traffic between the ports of Sweden and Finland was not interrupted. The last attempt of the Germans to cut off these relations was made in May 1917, when four vessels carrying military contraband were sunk on their way to Mentiluoto. Thus, during three and a half years of the War, the maritime routes north of the Aland Islands remained open to Russia in spite of occasional interference, and were used by the mercantile shipping of Sweden to maintain trade relations between the two countries so far as this was possible, considering the very rudimentary equipment of the Swedish and Finnish ports on the Gulf of Bothnia.[12]

In addition to a sea route, Russia was linked with Sweden by a railroad which was completed during the second year of the War. The Swedish line runs north as far as Karunki on the shore of the Tornea River whose course lies along the Swedish-Finnish frontier. On the Finnish side of the Tornea lies Haparanda, the terminal of the Finnish railroad. Only a few kilometers therefore separated the two railroads. Early in 1915, the Swedish railroad administration took up the problem of connecting the two railroad systems, and on

[12] *Ibid.*, 1915, no. 1, pp. 220 *sqq.*; no. 2, pp. 202 *sqq.*; Hildebrand, *op. cit.*, pp. 55, 63, 66, 109, 112, 151; 1916, pp. 117, 123; 1917, p. 72; Fayle, *op. cit.*, I, 356; II, 118; Firle, *op. cit.*, pp. 56 *sqq.*

19th March of the same year the Swedish Government approached the Russian Government with the suggestion that an agreement be concluded. From April 7 to 12, 1915, a conference of Russian and Swedish delegates met in Stockholm, and decided upon the appointment of a committee of Swedish and Russian engineers to prepare plans for a convention to deal with the joining of the two railroads by means of a bridge over the river Tornea. The committee met in Haparanda in September and in Helsingfors in December 1915 and prepared a draft of the plan. The final text of the convention was signed in Petrograd on 2/15 June 1916. The new route, however, was opened to traffic almost a year earlier, in June 1915.[13]

4. *Transit through Sweden.*

In order to make use of the maritime trade route north of the Aland Islands and of the new railroad over the Tornea River, certain preliminaries governed by war-time conditions needed to be arranged; these depended primarily upon the economic legislation and general policy of Sweden. The conveyance of goods to Russia from Great Britain, the United States, and France, raised the question as to the conditions under which Sweden would allow the transit of such goods through her territory. In itself the movement of goods from Sweden to Russia raised another question of the terms of export from Sweden. Each of these problems, which would never have arisen in time of peace, was now affected by the situation in which Sweden had placed herself with reference to Great Britain and her allies in the economic war against Germany. Goods reached Sweden through the lines of the British blockade, and it was only natural that Sweden would be reluctant to accept the stringent limiting of her own supply, while at the same time allowing free transit through her territory of goods to Russia, in accordance with the insistence of Russia and her allies. But the effects of the blockade were unavoidably felt in the problem of Swedish export as well; Sweden was struggling with the Entente Powers for the freedom of her trade, and she used her exports as a lever in order to obtain greater immunity for her imports. The obstructions to the development of trade between Russia and Sweden and through Sweden, brought into

[13] *Sobranie Uzakoneni,* Art. 1915; Hildebrand, *op. cit.,* 1914-1915, pp. 108, 221 *sqq.;* 1916, pp. 131 *sqq.*

being by the blockade, were further aggravated by reason of the Swedish domestic economic policy, and to a certain extent by the general trend of Swedish diplomacy during the Great War.

As a result of these involved conditions, the route connecting Russia with the outside world by way of Sweden, which in theory remained open, was nevertheless subject during the War to various vicissitudes. We must therefore examine a number of problems relating to Sweden's position, in order to understand the vital importance to Russia of the Swedish export and transit trade.

We will first consider the transit trade. It should be remembered that goods consigned to Sweden, entering through the Norwegian ports of the North Sea, were in no way hindered by Norwegian action. At the outbreak of the War, Norway published by the Ordinance of the Ministry of Agriculture of 18th August 1914 a ruling that freights billed to foreign countries would be admitted to Norway without special permission.[14] The fate of the Swedish transit trade therefore was entirely dependent on British regulation of trade over the North Sea. We are not going to trace the origins of this regulation and its development through the course of the War, but shall examine its machinery when it was in full operation.[15] Freights proceeding by sea to the Scandinavian countries were to take a route north of England, where they would be intercepted by patrol vessels and directed into British ports. Here the freights were to be examined for the first time and a report on them sent to London. London checked the guarantees that the freights were actually intended for delivery to neutral consignees. These guarantees were obtained in two ways: on the one hand, agreements were entered into with commercial organizations in neutral countries, under which they undertook to secure the goods thus obtained for the use of neutrals only; on the other hand, the British Ministry of Blockade released only that amount of freight which corresponded to the normal pre-war import of the country in question. Certain of the neu-

[14] *Oversigt over de vigtigste av utenriksdepartementet under krigen inftil Mai 1916 behandlede Saker,* 1916, p. 36.

[15] I am taking the description of the machinery of the blockade from two well-known Memoranda of the British Government: *Statement of the measures adopted to intercept the seaborne commerce of Germany,* London, 1916; *Report of the Committee on the administration of the Order in Council of March 1915* (1916), London, 1917.

tral countries accepted this regulation, and endeavored to find the solution of the problem of their supply within the narrow limits forced upon them by Great Britain. Sweden, however, assumed a very different attitude.

The Swedish Government was of the opinion that the pressure brought to bear upon Swedish trade by the British was not justified by international law. As a result of this conviction, it determined that the formation of commercial and industrial organizations on Swedish territory for the purpose of controlling the import of goods from beyond the seas could not be tolerated. In December 1915 the Council of State introduced in the Riksdag a bill, whereby the concluding of agreements, relating to imports and exports and in opposition to the foreign and economic policy of Sweden, between private persons and foreign governments was made a criminal offense. This bill became a law on 17th April 1916 (the so-called War Trade Act) and prevented the operation in Sweden of the machinery of British control, such as had been set up by Great Britain and her allies in the Netherlands, Norway, Denmark, and Switzerland. Agreements relating to cotton and mineral fuel had been concluded between Great Britain and Sweden previous to the decision of the Council of State of 1915; but there had been no agreements as to any other commodity. Repeated attempts to reach a general trade covenant remained unsuccessful. Since Swedish import trade was entirely dependent on the British war measures, except, of course, imports from Germany by way of the Baltic Sea,—an inadequate substitute for oversea imports,—Sweden struggled with sustained energy and with all the means at her disposal against the ensuing restrictions. Her weapons in this struggle were the licenses for the export of Swedish goods to Great Britain, and those for the transit of oversea freight to Russia. It would be foreign to our purpose to follow all the stages of this struggle, some of which did not affect Russia, especially as the subject is treated in the Swedish volume in this history.[16] But that phase of it which affected Russia may be hurriedly summarized.

As the commodities most needed by Sweden were in the possession or under the control of Great Britain, they became the price which

[16] *Cf.* Eli F. Heckscher, *Bidrag till sveriges ekonomiska och sociala historia under och efter varlskriget,* in the Scandinavian series of the *Economic and Social History of the World War,* Stockholm, 1926.

had to be paid for Swedish transit licenses. Russian export to Sweden was hardly an adequate compensation for transit facilities, for the simple reason that Russian goods were of no particular interest to Sweden, not to mention the general difficulties with which their export was surrounded. The part played by Russian exports in the mechanism of compensatory exchange was limited to their use as payment for the Swedish goods exported into Russia. The adequate provisioning of Russia presented a problem of such importance to the Allies, that Great Britain without hesitation took an active part in paying for Swedish transit licenses. Nevertheless the problem of Russian transit via Sweden, naturally, could not overbalance the all-important question, from the British point of view, of limiting Swedish imports as a measure of enforcing the blockade of Germany. The British Government was continually struggling with these two mutually antagonistic interests. The policy of Sweden further complicated the situation.

During the first period of the often renewed negotiations between Great Britain and Sweden on the regulation of trade (July to October 1915), the problem of transit through Sweden had already become one of primary importance. Because of the general failure of the negotiations, the desire of Great Britain for a guaranteed transit trade did not materialize. In practice, therefore, it was necessary to recur to the conclusion of unrelated compensational agreements, in accordance with which Great Britain obtained the right of shipping goods to Russia, on condition that for each shipment Sweden be allowed to import one of equal value from Great Britain. In negotiating these agreements Sweden insisted on her right to issue transit licenses in exchange for goods of British origin only, and not for those which were shipped to Sweden from other countries overseas; the presentation of this problem was made a matter of principle, since Sweden maintained her right, based on international law, of freedom of supply from countries other than Great Britain, and refused to acknowledge even indirectly that it should be controlled by British maritime regulations.[17]

There could be no satisfactory results from such a progression of agreements each of which was concluded only as the need arose, case by case. Whenever relations between Sweden and Great Britain became strained because of the problem of trade, as they did periodi-

[17] Hildebrand, *op. cit.*, 1916, pp. 60 *sqq.*

cally, such agreements were held up for a time. For instance, at the close of 1915, Great Britain prohibited all imports to Sweden and seized all Christmas parcels sent by post to that country. In return, in January 1916, Sweden prohibited the export to Great Britain of wood-pulp; then she seized all parcels in transit to Russia through the mails. In the spring of 1916, Great Britain inaugurated a system of strict control of Swedish imports, based on the volume of pre-war imports. These measures, of course, did not favor the rapid and satisfactory settlement of questions of transit by means of compensational agreements. The representative of the Russian Ministry of Commerce and Industry in Stockholm, D. N. Russinov, in his report to one of the leading Russian commercial and industrial organizations gives the following description of the condition at the end of 1916 of the Swedish transit trade. During the three summer months of 1916, Sweden refused transit licenses for machinery for factory use; eventually, however, the question was settled satisfactorily; then difficulties arose with regard to the passage of medical goods and thermometers, and later of copper screening for paper mills; no licenses could be issued for the chemicals required by tanneries. By the end of the year an enormous amount of coffee had accumulated in Sweden, because the Government refused to issue transit licenses unless the British Government would agree to allow from 30 to 40 per cent of the coffee to remain in the country for the use of the Swedish market. Great Britain refused to agree to this demand on the ground that the importing of coffee into Sweden for her own use was a problem having no connection whatsoever with transit licenses. The quantity of coffee which was thus detained in Sweden amounted to 163,000 bags.[18]

The concluding of transit agreements was further complicated by the unqualified refusal by Sweden to allow military freights to pass through her territory. A law to this effect was passed on 9th January 1915 and Sweden refused to make an exception to it, even in return for a compensation. The unconditional embargo under this law extended to "arms, munitions and other war materials," a formula subject to wide interpretation under the conditions of the recent war.[19]

[18] *Promishlennost i Torgovlya* (*Industry and Commerce*), 1917, no. 1, p. 24.

[19] Hildebrand, *op. cit.*, 1914-1915, pp. 103, 227.

In October 1916 under the pressure of her own extreme shortage of supply, Sweden decided to reopen negotiations with Great Britain. On this occasion, in addition to Great Britain, France and Italy took part in the negotiations. On condition that all future restrictions on Russian transit trade were removed, the delegates of the Allies offered to allow the shipment to Sweden of specified goods required by her, in return for her guarantee that she would not export such goods. However, since the Swedish representatives insisted that the neutrality of Sweden would not allow of the free transit of goods which might be used for military purposes, especially automobiles, the negotiations broke down at this point, and the Swedish delegates returned to Stockholm in February 1917 without signing the agreement submitted to them.[20] The situation, created by the divergent views on matters of principle, remained as it had been, and the struggle for transit trade continued as before, being decided only case by case. In spite of the improvement in Anglo-Swedish relations which took place in the first half of the year 1917, the problem of principle remained unsettled until the moment when England discontinued all shipments to Russia, as a result of the Bolshevik coup d'état of 26th October 1917.[21]

With the concentration in her own hands of all problems dealing with Russo-Swedish transit, Great Britain naturally became the dominating factor in its organization. The promulgation of the Swedish War Trade Act prevented Great Britain from creating a powerful local mechanism in the interests of the economic war in which she was engaged, which would have established her control over the Swedish market; but in the field of transit trade, where the need for control was so great, there was organized a special instrument, somewhat limited in size, under the name of the "Transito" Joint-Stock Company, to which were addressed all consignments sent from Great Britain and from overseas to Russia. The "Transito" Company was in English hands and Russia had little influence in its management.

The former Russian Commercial Attaché in Sweden, B. N. Ni-

[20] Morris, *From an American Legation,* New York, 1923, p. 104; Hildebrand, *op. cit.,* 1916, p. 129; 1917, p. 74.

[21] Nikolsky, *Nashe ekonomicheskoe predstavitelstvo za granistei* (*Our Business Representatives abroad*), *Iz zapisok Torgovago Agenta* (*From the notebook of a Commercial Attaché*), Hamburg, 1923, p. 56.

kolsky, describes the activities of the Transito as follows: "This company was founded in October 1915 on the initiative of the English, who remained actually in control, though all the shares were in the hands of a Swedish citizen, A. Bildt. Its appearance was met by a storm of protests in the Swedish press which disclosed the real nature of the new joint-stock company. These protests, however, were in large part insincere, since the right of creating an organ for controlling transit trade had been purchased at the price of definite and substantial compensations to Sweden in the matter of supplying her with certain commodities of which she was particularly in need. The compensations required by Sweden as a condition for the transit of freights to Russia were held by Great Britain, who also had complete control over the shipping firms which were as a matter of form working for the Transito Company. Without the British approval neither shipments nor delivery of goods could be made. Under this state of affairs the control of the Transito rested *de facto* with the representative of the British Legation. However, freights which were needed for the conduct of the War were being dispatched to Russia. Since Russia had ultimately to pay for these freights and, as consignee, was interested in seeing that the services of the Transito Company should not prove unduly expensive, it was natural that she should attempt to secure for the representative of the Russian Legation full rights on the administration board of the Company, in order to give him an opportunity to follow the development of its organization and to remedy any conditions which might lead Russia into too much expense. The participation of the Russian representative, however, was reduced to a mere seat on a committee, composed of British and Russian commercial attachés, which settled upon the freights which should be sent to Russia. In these matters the Russian commercial attaché had to wait upon the preliminary decisions of various departments of which the final one was the Economic Department of the Russian Foreign Office. Each member had the right of veto. Votes in favor of the transit of certain freights were made by the members of the committee initialing the application. In case of doubt, the question was usually settled by a short exchange of views, and the use of the veto was extremely rare. The participation of the Russian attaché was limited to the meetings of the committee which were held once a week; all transac-

tions between the Company and shipping firms, as well as all business affairs, were strictly secret; and the Russian representative knew nothing of them. Furthermore, in order to obtain information as to the fate of certain freight, he was obliged to apply to the Company merely as an outsider, who might perhaps be allowed a slight preference."[22]

From the Russian point of view transit trade through Sweden was not the only matter of importance in consideration of the freedom from enemy control of the northern part of the Baltic Sea and the railroad over the Tornea River. I have already mentioned that Russia was as much interested in obtaining imports from Sweden as she was in receiving goods transmitted through Swedish territory. The Swedish policy of compensatory exchange, originated in the first place under the influence of the blockade, was felt by Russia as much in the matter of exports as it was in its relation to the transit trade. Sweden surrounded herself with a barrier of export restrictions, and, in general, goods were not allowed to leave the country without special licenses. The granting of these licenses was conditioned on the import by Sweden of certain commodities from Russia. It will be necessary to discuss in some detail the conditions on which export from Russia to Sweden depended; we shall then see how the system of compensatory exchange worked between the two countries. In the meantime, it will be enough to say that, despite all difficulties, Swedish exports to Russia during the War held fourth place among imports into Russia over the European frontier, not including Finland, and that it increased each year. During the first year of the War, from August 1914 to July 1915, Swedish exports to Russia amounted to 18,059,000 rubles;[23] during the second year,

[22] Nikolsky, *op. cit.*, pp. 54 *sqq.*

[23] The data on Russian trade quoted in this monograph are borrowed from the monthly surveys *Vneshnaya Torgovlya po Evropeiskoi Granize* (*Foreign Trade on the European Frontier*) published by the Department of Customs (*Departament Tamozhennikh Sborov*), issues 347-382, and from the *Obzor Vneshnei Torgovli* (*Survey of Foreign Trade*) for 1913, 1914, and 1915. I am quoting data not for calendar years, but for each year of the War, counting as the first year of the War, from August 1914 to July 1915. The data of the official publications mentioned above have been analyzed in a number of articles published by Lomakin in *Vestnik Finansov* (*Financial Messenger*), 1915, no. 10; 1916, nos. 9 and 10; 1917, nos. 10, 15, 34, 35.

August 1915 to July 1916, to 80,053,000 rubles; and during the third year, August 1916 to July 1917, to 99,369 rubles.[24]

Whatever may have been the relative importance of transit trade through Sweden and imports from Sweden, the north route still remained open, a narrow loophole through the lines of the two blockades to which Russia's trade was subjected: the German blockade in the Baltic Sea, and the British blockade in the North Sea. The importance of these two phases of the world economic war, in which Russia did not take an active part, was further emphasized by the fact that in the south she was entirely cut off from the outside world.

5. *Closure of the Dardanelles.*

The blockade of Russia's southern sea routes was due to contingencies which had arisen in Turkey in consequence of the outbreak of the World War. In the very first days of the War, a treaty of alliance was signed between Germany and Turkey, and the whole subsequent policy of the Sublime Porte became dependent upon the Central Empires. On 16th August 1914 (new style) the *Goeben* and the *Breslau* of the German fleet arrived at Constantinople and by their presence gave assurance to Turkey that she might act freely in the Straits and in the Sea of Marmora. The first measures resulting from this move were the mining of the Straits around Turkey and the seizure of vessels proceeding with Russian freights through the Straits from the Black Sea to western Europe. On 3rd August 1914 the Turkish Council of Ministers decided to mine the Bosphorus and the Dardanelles, and the next day this was put into effect. The Straits were not entirely closed, a channel being left open for the passage of vessels. New mine-fields were sown on 15th August and the mines previously placed were removed. The work was

[24] The depreciation of the ruble will be seen from the following table:

	Rubles for £10
Pre-war	94.57
1st July-31st December 1914	111.4
1st January-30th June 1915	116.7
1st July-31st December 1915	139.9
1st January-30th June 1916	155.7
1st July-31st December 1916	155.3
1st January-30th June 1917	170.9
1st July-16th October 1917	255.2

continued from 19th August to 24th August, when buoys to mark the channel were placed along the Asiatic shore. On 19th September, the European waters of the Bosphorus were again mined. At the end of August, the work of strengthening the fortifications of the Dardanelles was carried on under the supervision of German officers. At the same time, under the pretext of the operations connected with the sowing of mines, the first difficulties were placed in the way of commercial vessels. A number of vessels, which had left the Russian Black Sea ports before and directly after the declaration of war on Germany, were detained on their arrival at Constantinople by signals placed off Chanak on 8th to 10th August, prohibiting their passage. On 10th August navigation in either direction was resumed, but nine British freighters, laden with grain and petroleum, were detained and sent back to Constantinople. The British Chargé d'Affaires at Constantinople protested in person and in writing, but for a week could obtain no satisfaction. The detention of vessels at Constantinople continued. On 18th August, the Porte decided to discontinue any further detention of vessels, but the authorities in charge of the port of Chanak continued for a few days more to interfere with the free passage of vessels through the Dardanelles. Only on 21st August was the measure altogether abandoned. This series of events served as a warning and naturally led to the practical abandoning of all shipments through the Dardanelles, long before Turkey's entrance into the War.[25] From the very beginning of August, exports from Russian ports on the Black Sea were almost entirely suspended.[26]

The events of August made it perfectly clear that the closure of the Straits could not much longer be delayed. As the British Ambassador at Constantinople put it, "The whole area of the Dardanelles, Constantinople, and the Bosphorus will become nothing more or less than a sort of German enclave." Since this "enclave" had to be made

[25] The mining of the Straits and the detention of freighters loaded with grain are described in accordance with the data provided by Russian and British diplomatic documents published in the Orange and Blue Books, on the entrance of Turkey into the War. Niemeyer and Strupp, *Die Völkerrechtlichen Urkunden des Weltkrieges,* 1918, II, pp. 50, 65, 91 *sqq. Cf.* Fayle, *op. cit.,* I, pp. 65 *sqq.,* 86.

[26] *Grusooborot Novorossiskago porta* (*Trade of the port of Novorossisk*), in *Vestnik Finansov,* 1915, nos. 14 and 20.

safe from the south, the Mediterranean being under the control of the Allies, from the end of August the closing of the Dardanelles was expected from hour to hour. However, it is true, that in their negotiations with Turkey the Entente Powers endeavored to obtain a guarantee that the Straits would remain open during the war which they were conducting against Germany. In exchange for which they promised her the integrity of her territory and the repeal of the Capitulations, but this attempt came too late. On 27th September, a Turkish destroyer left the Dardanelles and ventured into the Aegean Sea, but was ordered back by a British patrol vessel. This was enough to make the Turks close the Dardanelles that same evening. The diplomatic representatives of the Entente tried to obtain the reopening of the Straits; the Turks replied by vague demands that the British fleet should be withdrawn "a little farther off" the Straits, but from that time and until the end of the War, the Straits remained closed. "It is the Germans who are keeping the Straits closed," said Sir Edward Grey at the beginning of October. At the end of October, Turkey entered the War, and there was no further question of a voluntary opening of the Straits.[27] Moreover, from the strategical and political point of view, the real significance of the entrance of Turkey into the War lay in the final closure of the Straits and the consequent blockade of European Russia from the south, with all its tremendous advantages for the German coalition.

General Erich von Falkenhayn, at that time Chief of the German General Staff, writes in his memoirs as follows: "The Chief of the General Staff considered it indispensable that this alliance [with Turkey] should materialize. If the Straits between the Mediterranean and the Black Sea were not permanently closed to Entente traffic, all hope of the successful conduct of the War would be very considerably diminished. Russia would have been freed from her significant isolation. It was just this isolation, however, which offered a surer guarantee than military successes would have done, that sooner or later a crippling of the forces of this Titan must take place, and to a certain extent automatically. If such a strictly disci-

[27] For the negotiations on the freedom of navigation through the Straits, *see* Niemeyer and Strupp, pp. 58, 95 *sqq.;* closure of the Straits, *ibid.,* pp. 72, 128 *sqq.; cf.* Fayle, *op. cit.,* I, pp. 289 *sqq.;* Morgenthau, *Secrets of the Bosphorus,* 1918, pp. 68 *sqq.*

plined political organism as Germany, accustomed as she had been for centuries to conscientious work and having at her disposal an inexhaustible wealth of skilled organizing forces in her own people, was only barely able to accomplish the mighty task imposed upon her by the War, it was certain that the Russian State, so much weaker internally, would not succeed. So far as it was humanly possible to foresee, Russia would not be able for long to meet the demands of such a struggle, and at the same time bring about the reconstruction of her whole economic life, which was made necessary by her sudden isolation from the outer world, with the closing of the western frontiers and of the Dardanelles."[28]

It seems likely that this analysis of the effect upon Russia of the closing of the Straits was not made, as von Falkenhayn wants us to believe, at the time when Turkey entered the War, but was suggested to him by the subsequent trend of the world conflict. However, it is without a doubt substantially correct: the closing of the Straits had no less influence upon Russia than the naval operations of Great Britain in the North Sea had upon Germany. It was not an act of economic war in the narrow sense of the term; it was a military measure founded upon the geographical position of Russia and Turkey. But this military measure derived its tremendous importance, with relation to the fate of the World War, from the economic aims it achieved and from the injury it inflicted upon the economic life of Russia.

It established in the south a situation similar to the one which already existed in the Baltic Sea, and practically completed the blockade of Russia.

The economic effects of the closing of the Straits were clearly realized by the whole world. On 28th January 1915 M. Kharitonov, State Controller, a member of the Russian Government, made the following statement in the Duma: "The economic isolation of our country is one of the most painful and dangerous aspects of the War." The allies of Russia also realized the danger of this situation. It explains the daring plan, born in Great Britain, of forcing the Straits from the sea and then liberating them with the help of the army.

[28] Erich von Falkenhayn, *Die Oberste Heeresleitung, 1914-1916,* 1920, pp. 16 *sqq.;* English translation, *The German General Staff and its decisions, 1914-1916,* New York, 1920, pp. 20-21.

The origin of the expedition to the Dardanelles is now well known. Early in January 1915 Lord Kitchener received through the intermediary of the British military representatives at Russian Headquarters an urgent request from Grand Duke Nicholas Nicholaevich to carry on by land and sea a military demonstration against Turkey, in order to relieve the Russian troops on the Caucasian frontier. Kitchener, who was already concerned about the position of the Russian army, was deeply impressed by this request; the question was immediately laid before the War Cabinet and met with the hearty support of Mr. Churchill, First Lord of the Admiralty, who suggested a demonstration against the Dardanelles. Admiral Carden, commanding the British fleet in the Mediterranean, when asked by telegraph whether he considered it possible to force the Dardanelles from the sea, gave a generally favorable reply. The consent of France was then obtained, and the Russian Commander-in-Chief was informed that Great Britain had decided to force the Dardanelles. The minutes of the meetings of the War Cabinet of 28th January 1915 contain the following definition by Mr. Balfour of the purposes of the Dardanelles expedition: "Mr. Balfour pointed out that a successful attack on the Dardanelles would achieve the following results: it would cut the Turkish army in two; it would bring Constantinople under our control; it would give us the advantage of having the Russian wheat and enable Russia to resume exportation; this would restore the Russian exchanges, which were falling owing to her inability to export, and causing great embarrassment; it would also open the passage of the Danube. It was difficult to imagine a more hopeful operation."

The forcing of the Dardanelles proved a failure. From the very beginning of naval operations its difficulty became more and more obvious. A plan was suggested of getting help by land from Greece, but this had to be abandoned as a result of the veto of Russia and because of the downfall of Venizelos. The great attack which took place on 18th March 1915 ended without any substantial gain for the Allies, in the loss of six large and sixteen smaller battleships. Any further attempt to force the Straits from the sea was out of the question. Operations on land did continue until the end of the year, but without achieving their purpose. The Straits remained closed.[29]

[29] Russian sources contain only fragmentary data on the history of the Dardanelles expedition. *Cf.* Valentinov, *Snosheny s soyuznikami po voennim*

Balfour correctly stated the tremendous economic importance of the opening of the Dardanelles. To his considerations on the commercial and financial aspects of such an undertaking, we may add that after the entrance of Turkey into the War a large number of vessels were lying idle in the Black Sea, whereas they could have been of the greatest service in relieving the world-wide shortage of tonnage. These vessels, flying various flags, totaled 129 with an aggregate tonnage of some 350,000 tons.[30]

It is only too natural that the outcome of the Dardanelles operations was awaited with the greatest anxiety in Russia, especially in the south. The Russian Chamber of Exports obtained permission from the Minister of Commerce and Industry to call, on 31st March 1915, an important conference of the representatives of the Russian export trade and of the chief industries of the southern region, in order to discuss the problems relating to the expected reopening of the Dardanelles and the resumption of exports from the ports of the Black and Azov Seas. In March, the conference was postponed to 20th April "because," added the statement issued to the press, "it is anticipated in business circles that in two or three weeks one may expect the reopening of the Dardanelles to commercial shipping."[31]

The failure of the expedition against the Dardanelles made one feel with particular bitterness the blockade of Russia. This disappointment is thus depicted by Winston Churchill, one of the chief sponsors of the expedition: "There ended with the Dardanelles all hope of forming direct and continuous contact with Russia. A railway 1,200 miles long might be built to Murmansk; Vladivostok might continue to pass supplies across a distance of 4,000 miles; but the intimate coöperation in men and munitions, the vast exportation of South Russian wheat, the expansion of a vitalizing trade, which

voprosam vo vremay voini 1914-1918 (*Negotiations with the Allies on military questions during the War, 1914-1918*), 1920, I, pp. 52 *sqq.;* General Danilov, *Rossya v mirovoi voine* (*Russia in the World War*), pp. 322 *sqq.;* this is inaccurate and sometimes even misleading. On the other hand, the problem has been fully discussed in England; *cf.* Lord Fisher, *Memories,* 1919, pp. 52 *sqq.;* Sir George Arthur, *Life of Lord Kitchener,* 1920, III, p. 102; Sir Julian S. Corbett, *Naval Operations,* II, pp. 67 *sqq.;* and especially Winston S. Churchill, *The World Crisis, 1915,* 1923, pp. 93 *sqq.*

[30] Corbett, *op. cit.,* II, 68.

[31] *Morskoi Sbornik,* 1915, no. 5, p. 123 (*Naval Chronicle,* under 27th March 1915).

could alone spring from the opening of the Black Sea, was for ever denied us."[32]

6. *Maritime trade in the Black Sea.*

Cut off from the rest of the world, the Black Sea still remained a possible theater of the naval economic war, though of course one of secondary importance and purely local, but nevertheless not entirely deprived of interest. Russia's objective in this struggle was the Turkish maritime trade, especially the coastal trade. The Turkish fleet, though reinforced by the battleship *Goeben*, seldom appeared in the Black Sea, so that, in spite of the extreme weakness of the Russian navy in the Black Sea, the latter was in a position to maintain the blockade of Turkey by means of random attacks on the Turkish coast. We use here the term "blockade" not with the technical meaning given it by international law, but simply to denote the general purpose of Russian operations: the obstruction of the enemy's maritime trade. On 15th February 1915 in his order of the day, the officer commanding the Black Sea fleet, expressing his appreciation of the services rendered by the navy under very difficult circumstances, speaks of the "blockade carried out under rigorous winter conditions, chiefly along the enemy coasts."[33]

Indeed, this "blockade" became the principal aim of the Russian naval forces in the Black Sea. The instructions given to Admiral Ebergard on 28th December 1915 directed him to concentrate his main efforts on cutting Turkey off from supplies from the coal region on the coasts of Anatolia near Eregli, Koslu, and Zunguldak; and, as a secondary problem, to interfere with her maritime relations with her army in Anatolia, and also with those between Bulgarian ports and Constantinople.[34] These instructions were carried out as far as practicable, and the Black Sea at that time reminds one, though on a much smaller scale, of the blockade against Germany in the North Sea, with the difference, however, that the Turkish mercantile marine consisted mainly of sailing vessels of small tonnage and played a

[32] Churchill, *op. cit.*, p. 510.

[33] *Morskoi Sbornik*, 1915, no. 3, pp. 131 *sqq.*

[34] Zaionchkovsky, *Mirovoya Voina, 1914-1918* (*The World War of 1914-1918*), strategical survey, 1924, p. 264; Monasterev, *Dans la Mer Noire*, Paris, 1928, pp. 76 *sqq.*

very modest part in providing for the economic requirements of Turkey.

Russian war-time naval reports allow one to establish fairly accurately the scope and significance of these operations. They took place in three separate regions: first, around the coal districts, mentioned above, near Zunguldak; then in the region of Rize and Trebizond; and lastly around the approaches to the Bosphorus. After Bulgaria's entrance into the War on the side of the German coalition, a new theater of "blockade operations" was created between the Bulgarian ports and Constantinople. The struggle with the enemy maritime traffic was carried on almost entirely by destroyers and submarines, cruisers seldom taking part in it. At intervals, they attacked the enemy coast; at times the Russian navy was very active, at other times it was quiescent. The first attacks took place in the winter of 1914-1915. The official reports of Russian Headquarters show that between 21st December 1914 and 7th January 1915 at various points along the coast of Anatolia, the Russian fleet destroyed one military transport and about seventy sailing vessels.[35] At the end of January 1915 operations were renewed and two steamers and about fifty feluccas were sunk.[36] In February, eight steamers and one sailing vessel were destroyed in the neighborhood of the coal region.[37] Activities seem to have been particularly intensive in July 1915; as many as five steamers and about two hundred and fifty sailing vessels were sunk.[38] In January 1916 over two hundred sailing boats were destroyed;[39] in March 1916 in Bulgarian waters, a steamer with a cargo of benzine, and along the Anatolian coast, twenty-six sailboats.[40] In June 1916 over fifty sailboats were sunk near Anatolia; a steamer with a cargo of kerosene and barley near Constantinople, and a freighter and two towboats near Eregli.[41]

It would be useless to multiply these data, the account given above will suffice to show on what scale the economic war was waged in the Black Sea. It is a modest one, and shows that the "Russian blockade" of Turkey played but a small part in the general history of the

[35] *Morskoi Sbornik*, 1915, no. 2, pp. 161 *sqq.*, 175, 197, 201, 202.
[36] *Ibid.*, 1915, no. 3, pp. 116 *sqq.* [37] *Ibid.*, 1915, no. 4, p. 103.
[38] *Ibid.*, 1915, no. 7, p. 203; no. 8, pp. 107 *sqq.*, 123, 125, 128.
[39] *Ibid.*, 1916, no. 2, pp. 71 *sqq.*; no. 3, pp. 96, 99.
[40] *Ibid.*, 1916, no. 4, pp. 117, 122, 125.
[41] *Ibid.*, 1916, no. 7, p. 105; no. 8, p. 102.

naval war of 1914-1918. Nevertheless, it is not entirely without importance; the already insignificant naval forces of Turkey were finally eliminated, and Russian sources testify that as early as 1915 the Black Sea coast of Turkey "seemed to be quite deserted."[42]

[42] *Morskoi Sbornik,* 1915, no. 6, p. 165 (*Naval Chronicle,* under 14th May 1915). The significance of these operations has been recorded also by foreign writers, *see* Liman von Sanders, *Fünf Jahre Türkei,* 1920, p. 137; Corbett, *op. cit.,* II, pp. 70, 78.

CHAPTER III

THE EMBARGO AND TARIFF WAR

1. *Exports to enemy countries.*

The most effective methods at the disposal of Russia for carrying on war against trade with the enemy consisted, as I have stated above, of customs legislation, of the restriction of exports and imports, and of embargoes. But these methods also had a negative effect. While the restriction and prohibition of commercial relations between Russia and the enemy countries were injurious to enemy trade, they were also detrimental to Russian trade.

In order to appreciate what the suspension of trade with Germany and Austria-Hungary really meant to Russia (I shall leave aside the consideration of trade with Turkey and Bulgaria because it was infinitely less important and also because those countries entered the War at a later date), it will be enough to consider the following data. In 1913, the last year before the War, 50 per cent of Russian imports came from Germany and Austria-Hungary, and exports to them amounted to 34 per cent of her export trade.[1] By restricting or suspending trade with enemy countries, Russia sacrificed her foreign trade to an extent which has no parallel among similar voluntary sacrifices made by her allies. Furthermore, because of her geographical position, she could not hope for increased commercial intercourse with other countries, which might compensate her for the willing sacrifice of half her foreign trade.

I will begin with the limitation of exports. From the very first days of the War, in accordance with an ordinance of the Minister of Finance dated 26th July 1914, Russian exports were subjected to rigorous restrictions, which according to the ordinance were necessitated by "war-time conditions." The land frontier of European Russia and the ports of the White, Baltic, and Black Seas and of

[1] Data of the *Obzor Vneshnei Torgovli Rossii za 1914 g.* (*Survey of Russian Foreign Trade for 1914*), published by the Department of Customs, Petrograd, 1915, p. 111. In order to obtain the real figure of Russian exports to Germany the official figure of the latter should be increased by adding a part of the Russian exports to the Netherlands, since some of the Russian goods went to Germany through that country.

the Sea of Azov were closed to the export of the following principal articles of export: cereals (grain and flour), bran, husks and other fodder, potatoes, vegetables, meat, game, poultry, eggs, cattle, animal fat, butter, fish, tobacco, canned food, timber, oil-seeds, hay and straw, cotton waste, sheep and goat skins, hides and leather, wool and furs, coal and coke, tar, iron ore, naphtha and its by-products, benzine, petroleum and other illuminating oils, automobiles, rubber, rubber tires, wire, detonators, saltpeter, fuses, nitric and sulphuric acids.[2]

If we consider the different commodities enumerated in this list, it will appear that the suspension of their export to Germany and Austria-Hungary meant at times the loss of as much as half of the export of the commodity and in some cases its complete suspension. Let us take the export of Russian cattle. In accordance with the data for 1913, 86 per cent of the total value of this export went to Germany; of meat and poultry, 60.2 per cent went to Germany and 3.6 per cent to Austria-Hungary. On all the commodities enumerated in the list of 26th July 1914 the loss of export trade amounted to 32.6 per cent. The abandonment of the export of grain alone meant a reduction in the export trade of 192 million gold rubles, and for all the articles on the list it totaled 335 million gold rubles.

To be sure, the prohibition of the export of certain commodities to enemy countries was not due solely to the desire to deprive the German coalition of them; it was due also to the necessity of reserving these commodities for the needs of the Russian military and civil market. Nevertheless, the idea of limiting the supply to Germany was predominant. The author of the official survey of the war-time measures taken by the Government, published in *Vestnik Finansov, Promishlennosti i Torgovli* early in 1915, was quite right when he maintained that "the prohibition of the export of foodstuffs and other articles useful to the enemy was undoubtedly dictated by military considerations."[3]

The order of 26th July 1914 was drafted under the spell of the moment, and rather hastily. It made no provision as to how permits should be obtained for the export of prohibited commodities to allied and friendly countries. The export prohibition was operative only

[2] *Sobranie Uzakoneni,* 1914, Art. 2242.

[3] Survey of the economic and financial policy of the Government, *Vestnik Finansov,* 1915, no. 2, p. 43.

on a section of the Russian frontier, which however was the most important one. Since it was clear that the purpose of the prohibition was the conservation within Russia of certain commodities, the measure should have been extended to all frontiers of the Empire, not to the western and southern frontiers only. Then, too, the composition of the list was defective from the point of view of the technique of Russian customs tariffs; and again, the War had only just begun and there was no information as to what goods were needed by the enemy or by Russia. It is natural therefore that the Act of 26th July 1914 should not be the last word by the Russian Government on the restriction of exports. Its vacillating policy in developing and amending the Act was carried on by means of experimental measures. On 22nd July 1914 even before the Act of 26th July the export of horses was prohibited; on 5th September and 14th November the prohibition was extended to certain metals (manganese ore, brass latten, steel, and lead); on 25th October 1914 to beans, clover, and grass seeds.[4] All these restrictions were less important from the point of view of the supply to Germany than the law of 17th February 1915 which followed them and which had a considerable influence on Russian economic conditions during the War. This law "on some special measures for the supply of foodstuffs and forage to the army and navy" was an expression of the fear which grew stronger as the War went on that the Russian stocks of grain would become exhausted, a fear which influenced the most important events in Russia during the War and which paved the way for the Revolution. The fundamental provisions of this law dealt with the fixing of prices of grain and the right of requisitioning it. It also included the following provision: "It is prohibited, without a special permit of the Government: (a) to export foodstuffs and forage; or (b) to sell such goods to aliens engaged in the wholesale trade in grain and forage" (Sec. II). By this enactment the embargo on the export over the western frontier of grain and certain other foodstuffs and forage, introduced by the Act of 26th July of the preceding year, was extended to all frontiers and covered a number of new commodities. This embargo, which originated in the desire to cut down the supply of foodstuffs to enemy countries, now changed its character and was inspired by considerations of policy relating to the home market.[5]

[4] *Sobranie Uzakoneni,* Arts. 1852, 2351, 2836, 2891, 2673.

[5] *Ibid.,* 1915, Art. 551.

On the other hand, the desire to prevent a supply of Russian goods reaching Germany inspired another partial measure which followed the ukase of 26th July 1914, namely, the ukase of 25th October 1914 which prohibited export from all Baltic seaports in the provinces of Petrograd, Livonia, Courland, and Esthonia. This part of the Baltic Sea was in the hands of the Germans and there was an immense amount of confiscation by the enemy of freights leaving these ports.

All the measures limiting export, directed on the one hand to the cutting down of supplies to enemy countries, and on the other to their conservation for home consumption, were codified in the "Rules on the export during the War of goods under embargo," approved by M. Bark, Minister of Finance, on 4th May 1915. This document became the new charter of Russian foreign trade. The plan of the Act was as follows: there were six schedules of commodities the export of which was limited: two of them listed commodities whose export was prohibited over all frontiers, and four whose export was prohibited only over certain sections of the frontier. As the schedules dealing with exports over certain parts of the frontier were (with the exception of one devoted to the Persian and Afghan frontiers) concerned with the frontier of European Russia and the Black Sea and in part with the Trans-Caucasian frontier, there was no practical distinction between these various schedules from the point of view of the export of Russian goods to enemy countries; in any event, goods exported over the Asiatic frontier could not reach them. Under each of the schedules the prohibition of export was made subject to the following qualifications laid down in Article 3 of the Rules: "The commodities under embargo for the period of the War (Article 1) may be exported to allied and friendly countries with the permission of the Minister of Finance." The embargo therefore was absolute only in the case of enemy countries.

I shall leave aside for the time being the rules laid down by the decree of 4th May 1915 concerning trade relations with allies and neutrals, and will examine the schedule of commodities barred from export to Germany and her allies. The decree was based on the already familiar restrictive provisions of the enactments of 26th July 1914 and 17th February 1915. The list of these goods was revised and rearranged into two groups, the exportation of which was restricted. The first group (schedules I to II) extended to all fron-

tiers and included the following items: rye, wheat, oats, barley, lentils, millet, French wheat, peas, beans, haricots, potatoes, rice, all flour and meal, beets, tomatoes, onions, cabbage, dried vegetables, macaroni, tea, sugar, pepper, salt, tobacco (except cigars and cigarettes), live stock (including cattle, sheep, and hogs), meat (except bacon), butter, animal fats, canned foods, hay and straw, hides and leather (from oxen, bulls, cows, calves, camels, buffaloes, horses, donkeys, and hogs), copper and latten (bars, scrap, and manufactured goods). The second group (schedules III to V) was operative on the European and Black Sea frontiers and a section of the Trans-Caucasian, and included the following items: cereals (grain and flour), bran, husks, and other fodder, vegetables, game and poultry, bacon, eggs, guts, fish, lumber, oil-seeds, clover and grass seeds, cotton waste, furs, sheep and goat skins (manufactured and raw), wool and wool waste, coal and coke, tar, iron and manganese ore, naphtha and its by-products, benzine, gasoline, ligroine, kerosene, and other illuminating oils, lubricating oils, spirits of wine, rubber (manufactured and raw), wire, caps and fuses, saltpeter, nitric and sulphuric acids, automobiles, steel, and lead. The significance of this list of commodities under embargo needs no further comment from the point of view of supply to the enemy, after what has been said above regarding the initial measures restricting Russian foreign trade. The addition of new items in the Rules under consideration, as compared with the enactment of 26th July 1914, is due mainly to the desire to hold within the country necessary stores of war supplies; the added items amounted to little with reference to the Russo-German trade. The policy of Russia therefore remained unaltered.[6]

The further history of the embargo policy is of no interest in connection with trade with the enemy. When the shortage of a commodity became felt in Russia, the Government placed an embargo on that particular commodity, following the general scheme laid down by the Rules of 4th May 1915: absolute embargo to the enemy, and export by license to allies and neutrals.

[6] The Rules of 4th May 1915 were published in the *Ukazatel Pravitelstvennikh Rasporyazheni po Ministerstvu Torgovli i Promishlennosti,* 1915, no. 21. French translation in *Douanes Russes, Documents relatifs aux prohibitions d'exportation,* etc. Russian Chamber of Commerce, Paris, 1916.

2. Imports from enemy countries.

The policy of Russia on the import of enemy goods was far less decisive. The Russian market was so accustomed to German goods that it seemed almost impossible to break the tie. While it was clearly recognized from the very beginning of the War, that to continue to supply the enemy with Russian goods, and especially with Russian grain, would further his interests, it was not generally held that the same argument would apply to the purchase of German goods: that it would be aiding Germany financially. For a considerable time the Russian Government limited itself to increasing tariff rates on goods of enemy origin, a measure which would have been effective under normal conditions, but which was stripped of its prohibitive character as a result of the economic effects of the War.

In the first days of the War, the ukase of 28th July 1914 "on the Rules which Russia will observe during the War of 1914,"[7] provided among other things that "the operation of all privileges and preferential treatment accorded to enemy nationals by treaties or by reciprocity clauses is discontinued" (Sec. I, Part I). This provision, which was in complete harmony with international law as understood at that time, had as its consequence in the field of international trade, first, the repeal of the numerous and weighty special tariffs introduced by the Russo-German commercial treaty of 1905 (as well as the no less important tariffs of the Russo-Austro-Hungarian commercial treaty of 1906), and of the most-favored-nation clause included in the treaties with enemy countries, and, second, the application of the general customs tariffs of 1903 to imports from Germany and Austria-Hungary. At the same time, by a decision of the Council of Ministers sanctioned by the Emperor on 3rd August 1914, it was provided that the tariffs of the Russo-German and the Russo-Austro-Hungarian treaties were to continue to be applied to the products of the soil and of industry of those allied and neutral countries which offered most favorable conditions for the import of Russian goods.[8]

This first measure of discrimination, however, did not represent the whole of Russia's policy on the subject. The general tariffs which were to be applied to imported goods of enemy origin, in accordance with the precedents of the Russo-German tariff war of

[7] *Sobranie Uzakoneni,* 1914, Art. 2104. [8] *Ibid.,* 1914, Art. 2269.

1893, were not, strictly speaking, war tariffs. They were designed to serve as a basis for the negotiation of tariff conventions under normal conditions. Therefore during the first month of the struggle, a bill on war tariffs, in the strict sense of the term, was hastily drafted. This enactment, the decision of the Council of Ministers sanctioned by the Emperor on 20th August 1914 "on the limitation of commercial rights of aliens belonging to countries which do not grant to Russian commerce and shipping the treatment accorded to the most favored nations," was not instituted, as may appear from its very title, as a special, restrictive measure on enemy imports. It consisted merely of an enumeration of separate measures, which the Minister of Finance was authorized to apply in whole or in part to any country which refused Russia most-favored-nation privileges. In the field of customs tariff, in its narrow meaning, the enactment of 20th August 1914 introduced the two following rules: "(a) commodities which are the product of the soil or of industry of such countries will be liable to customs duty in accordance with the general tariff operating on the European frontier, with an increase of 100 per cent; on commodities which are not dutiable under the existing tariffs a charge up to 100 per cent of their value will be levied. (b) The duty calculated in accordance with the provisions of Section A will also be levied on any freight in transit through such countries."[9]

This régime of an embargo and tariff war was extended to cover enemy imports into Russia. Under the economic conditions of the Great War it could not, of course, play the part of prohibitive tariffs, as had probably been the intention of the authors of the enactment of 20th August 1914. The depletion of the market and the depreciation of the ruble offered ample reason for the import of enemy goods in spite of the imposition of doubled war duties. Under these conditions trade continued for almost a whole year. Only in the spring of 1915 did the freedom of the enemy export trade begin to feel the consequences of the legal and *de facto* obstacles put in its way.

The first step in this direction was the enforcement of the decree of the Minister of Finance of 23rd May 1915 prohibiting the import of German films.[10] The next and a much more radical measure followed on 22nd September 1915. A decree of the Minister of

[9] *Ibid.*, 1914, Art. 2338.

[10] *Ibid.*, 1915, Art. 1196.

Commerce and Industry "in consideration of the exceptional situation created by the War," prohibited the import into Russia of products of the soil and industry from those countries which were in a state of war with Russia, with the exception, however, of certain goods which were listed in the decree.[11] The list of commodities excepted from the general prohibition of import from enemy countries was amended by three new decrees of the Minister of Commerce and Industry of 3rd and 12th December 1915 and 23rd January 1916.[12] The Russian Government, therefore, while prohibiting imports from enemy countries, introduced numerous exceptions, the number of which continued to be further increased. As a result, the following important commodities of enemy origin, of course chiefly of German origin, continued to be imported into Russia without hindrance: Animal fats, plants, hay, straw, seeds, salt, chemical salts, particularly boric acid and borax, heavy spar, strontian, celestite, compounds of ammonia, white arsenic, orpiment, realgar, chrome alum and aluminum sulphate, oxides of barium, strontium and aluminum, saltpeter, magnesium chloride, magnesium sulphate, calcium chloride, precipitated calcium carbonate, acetate and chloride of lime, copperas, sodium, potassium and lithium salts, compounds containing gold, platinum and silver, white and red phosphorus, carbon disulphide, ether, collodion, chloral, chloroform, opium, vegetable oils, tannic acid, anthracene, alizarine, and various other chemical reagents and pharmaceutical goods; patent and compound medicines; natural dyestuffs, such as catechu, crushed madder, indigo, cochineal and its by-products; other organic dyestuffs; Prussian (Berlin) blue and Paris blue, ultramarine and other blues, pearl white and white lead, red lead, copper arsenite and other mineral pigments; glassware, dye implements; pig-iron, wrought iron, steel, copper, aluminum, nickel, cobalt, bismuth, antimony and arsenic, zinc, cadmium and mercury, tin and lead, and other common metals, bronzes, and other alloys of copper, pewter, gold and silver in bars and rolled; wire needles; tools for handicrafts, arts, workshops, and factories; machinery and implements and parts (made of pig-iron, wrought iron, and steel), gas and naphtha engines, steam engines, tractors, railroad engines, plant machines, dynamos, etc.; physical, astronomical, and mathematical instruments; electro-technical ap-

[11] *Sobranie Uzakoneni,* 1915, Art. 1968.

[12] *Ibid.,* 1915, Arts. 2694, 2772; 1916, Art. 121.

paratus; rags and pulp, books, pictures and maps, implements for writing, drawing, and painting.

Summing up the list given above, one may say that Russia, in spite of the War, considered it necessary to continue to import from Germany chemicals, metals, and machinery. The volume of this import may be gathered from the data of the official statistics of the Department of Customs for 1913. The exceptions in favor of enemy imports covered a range of commodities the import of which from Germany to Russia in the last year before the War amounted roughly to 200 million gold rubles, or about one-third of the total export from Germany to Russia.

It is obvious that under war-time conditions the enemy, and especially German, trade with Russia could not be carried on on the same scale as before the War in spite of the tolerance displayed by the Russian Government. It lessened under the pressure of events, even if Russia did not intend that it should. The economic difficulties in Germany, on the one hand, and the disorganization of transportation, on the other, created obstacles not less serious than the Russian customs restrictions. It may be enough to mention that even though the import of oils and copper was permitted by Russia, their shortage in Germany, which became severely felt soon after the outbreak of the War, practically prohibited their export to Russia. On the other hand, the displacement of the peace-time frontier between Russia and Germany by the military front, and the absence of direct maritime routes, forced enemy freights to use the complicated route of transit by way of Sweden. Under the influence of the aggregate of these conditions imports from enemy countries, which were still of considerable extent during the first year of the War, almost entirely lost their importance in the second and third years. During the first year of the War (August 1914 to July 1915) German exports to Russia amounted to 41,710,000 rubles; during the second year (August 1915 to July 1916) to 11,220,000 rubles; and during the third year (August 1916 to July 1917) to 11,195,000 rubles; making a total for the three years of 64,125,000 rubles, about one-tenth of the average normal annual import from Germany to Russia, which in 1913 amounted to 625,208,000 rubles.[13] Imports from other enemy countries were of even less moment.

[13] *Cf.* p. 38, n. 24.

3. *Prohibition of trade with the enemy.*

In summing up what has been said above we may be justified in stating that from the outbreak of the War exports from Russia to enemy countries were drastically curtailed (in theory the commodities not under embargo could still be consigned to enemy countries), while imports of enemy goods into Russia were permitted. The principle of the complete prohibition of trade with the enemy, therefore, was not conceded for some time—as we shall see later, not until the end of 1916.

Only in the beginning of the third year of the War did the Russian Government declare itself in favor of a complete suspension of trade with the enemy, this decision being taken while dealing with a purely local problem of no great importance. This was the question of transit through Russia. Previously no special regulations on this matter in its relation to the War had been issued by the Russian Government, probably because the question was of small practical importance. It may be of interest to note that, in accordance with official Russian data in 1915, transit trade through Russia with Persia amounted to 3,256,000 rubles, and with China and Mongolia to 2,125,000 rubles. But when the question was raised and decided by the ordinance of the Minister of Finance of 30th August 1916 the transit of enemy freights was prohibited. The basic provision of the decree was that all goods whose import through Russia into the Empire was prohibited were also excluded from transit through Russia, except by special license in favor of allied and neutral countries (Article 1). This statement was amended as follows: "The products of the soil and of industry of those countries with which Russia is in a state of war will not be admitted for transit through the Empire" (Article 2).[14]

It goes without saying that, under the general conditions of international trade at that time and as a result of the geographical position of Russia, the effect of this prohibitive measure was very slight indeed. It is recorded here because it was the first recognition of the principle that trade with the enemy should not be allowed during the War.

A little later the new ideas found their full expression in the ukase on the prohibition of trade with the enemy.

[14] *Sobranie Uzakoneni,* 1916, Art. 1874.

In striking opposition to the Russian methods, in Great Britain and France the prohibition of trade with the enemy was one of the mainstays of the economic war. In this legal institution the time-honored tradition of European wars was revived. In Russia it had long been considered sufficient, on the one hand, to suspend payments to enemy nationals, and, on the other, to make appropriate changes in the customs regulations concerning the import and export of Russian goods from and to enemy countries. We know that the question of adopting this western principle was raised at an early stage, but that it received no solution until the end of 1916. For two years Russian economic policy developed independently of it.

If nevertheless it eventually became operative, this was due mainly to the influence of the Paris Economic Conference. The program of this conference, which was prepared by the French Government, included the following provision among other measures to be enforced during the War: "The coördination and strengthening of the law and regulations prohibiting trade with the enemy" (Article I). At the first meeting of the conference, its chairman, M. Clémentel, made a survey, though not in all respects an accurate one, of the legislation of allied countries on trade with the enemy, stating among other things, that the Russian "system," like the French one, prohibited all trade with enemy nationals as well as imports from enemy countries. In the second session on the same date, the Conference examined two proposals, the French and the British, dealing with trade with the enemy; the former country prohibited trade with the enemy under all conditions, while the latter substituted for absolute suspension a black list of firms with which relations were not permitted. The Russian delegate, M. Pokrovsky, declared that he preferred the French plan, and added that Russian legislation did not prohibit trade with the enemy, but instead prohibited the making of payments to the enemy, which practically amounted to the prohibition of contracts, and that the compilation of a black list seemed to him hardly practicable. After a short and superficial discussion of some of the proposals, the following resolution was passed: "Laws and regulations prohibiting trade with the enemy will be coördinated. For this purpose the Allies will prohibit their nationals and all persons residing within their territory from entering into commercial transactions with (1) residents in enemy territory, whatever their nationality; (2) enemy nationals whatever their residence; (3) per-

sons, firms, and organizations controlled wholly or in part by enemy nationals or subject to enemy influence, which persons, firms and organizations will be inscribed on a special list" (Resolution I, a). In connection with the prohibition of trade with the enemy, Mr. Hughes, Prime Minister of Australia, raised the question of contracts with enemy nationals. His suggestion was accepted and formed the second paragraph in the resolution quoted above: "They (the Allies) will endeavor to find methods allowing a definite and simple solution of the problem of contracts signed by enemy nationals which are harmful to national interests" (I, c).[15]

The wishes of the Paris Economic Conference brought home by the Russian delegates expedited the passing of the bill prohibiting trade with the enemy, which for some time had been under consideration. Its wording reflects the influence of the policy set forth in the resolutions of the Conference: primarily, the general problem of trade with the enemy was connected with the question of the fate of contracts with enemy nationals, and, secondly, the prohibition of trade with the enemy was accompanied by the adoption of the British suggestion of "black lists." There were, however, certain differences between the resolutions and Russian law. In the latter, the right of repudiating contracts on the ground of national interest was replaced by a general suspension of contracts not only with enemy but even with neutral firms.

The decision of the Council of Ministers, sanctioned by the Emperor on 24th October 1916 "On the prohibition of trade with enemy and certain neutral firms," may be summarized in the following provision: "Until further notice, all Russian subjects, as well as all other persons residing within the Russian Empire, and all commercial and industrial associations and joint-stock companies operating in Russia are prohibited from becoming a party to contracts or to any other transaction, with enemy nationals, associations, and joint-stock companies, as well as with nationals, associations, and joint-stock companies of other countries, if such persons, associations, and joint-stock companies appear in the special list. All contracts with enemy firms are declared void from the date of the publication of this Act, and contracts with neutral firms, one month after the publication of the aforesaid lists" (Article 1). The Act adds that the

[15] *Conférence Économique des Gouvernements Alliés,* Paris, 1916, pp. 17 *sqq.*, 21 *sqq.*, 109 *sqq.*

black lists are sanctioned by the Council of Ministers (Article 2) and that breach of the prohibition of trade is punishable by imprisonment and fine (Article 3).[16]

The issue of the black list of firms was delayed for another seven months. It appeared only in the decree of the Provisional Government of 21st May 1917 "on sanctioning the Russian black list of alien nationals and firms."[17] The list contained a few hundred names and had reference to Denmark, as well as to Iceland, Norway, Sweden, the Netherlands, and Persia.

Nothing is so typical of the general history of the Russian economic war, as compared with similar developments in other countries, especially Great Britain, as the leisurely drafting of this "black list" at the end of the third year of the War. The very delay with which it was issued shows that it was devoid of practical importance from the Russian point of view and was merely a friendly gesture toward the allies by the Russian executive. In Great Britain, however, the black list played an important rôle in the machinery of the blockade of Germany. A product of wide experience and the result of a careful study of neutral markets, the British black list was officially sanctioned in France in February 1916 and immediately brought forth energetic protests from Germany, as well as from neutral countries, especially from the United States. The American note of 28th July 1916 declares that "the harsh, even disastrous effects of this policy upon the trade of the United States and upon the neutral rights, upon which it will not fail to insist, are obvious." But Great Britain, as we know, did not yield to these objections; the black list remained in force and was continually revised and amended. London controlled the international trade in the course of the last three years of the War, using for this purpose not only the official, so-called "statutory black list," but also confidential information which never became known to the general public.[18] In Russia, on the contrary, the belated publication of the black

[16] *Sobranie Uzakoneni*, 1916, Art. 2382. [17] *Ibid.*, 1917, Art. 912.

[18] English legislation *cf. The trading with the enemy (statutory list) proclamation*, London, 1919; protests of neutrals: *Note of the Government of the United States of June 28, 1916;* Niemeyer and Strupp, *Die Völkerrechtlichen Urkunden des Weltkrieges*, IV, p. 226; Sweden: Hildebrand, *De Svenska Statsmakterna och Krigstidens Folkhushållning, 1916*, 1917, p. 54; *Cf.* Jöhlinger, *Der britische Wirtschaftskrieg und seine Methoden*, 1918, pp. 190 *sqq.;* Brodnitz, *Das System des Wirtschaftskrieges*, 1920, pp. 105 *sqq.;* Parmelee, *Blockade and Sea Power*, 1924, pp. 83 *sqq.*

list was devoid of any practical significance. From the majority of countries which appeared in the Russian list the goods reached Russia after they had passed through the British control, and for that reason there was not the slightest need to make use of the Russian list. Some practical importance could have been attached to the black list of Persian firms, but it was issued so late that it seems doubtful whether it was ever applied in practice.

The most typical feature of the adaptation by Russia of the principle of no trade with the enemy was the fact that this prohibition found no expression in those very governmental measures which alone could have made it effective. In the field of trading with the enemy there were only those proceedings in the tariff war and embargo which had been declared against Germany at the outbreak of hostilities. We know that Russia considered it advisable not to interfere with the import of certain classes of German goods. Having prohibited trade with the enemy, the Russian Government should have carried it out in practice by taking measures which would have prevented all enemy goods from reaching the Russian market. But such measures were never taken. In spite of the prohibition of trade with the enemy the imports into Russia of goods of enemy origin was still carried on, provided that they were purchased from persons other than enemy nationals and who were not included in the black lists. This explains the fact already familiar to us that during the third year of the War, most of which fell within the régime of prohibition of trade, Russia imported eleven million rubles' worth of German goods and in some manner paid for them to the German producers.

4. *Resumption of export to neutral countries.*

Side by side with the chief measures for the prevention of the direct supply to Germany of Russian goods, which took the form mainly of embargoes and customs tariffs, there was carried on a struggle to prevent Russian goods from penetrating into Germany by way of neutral countries. As a result of the blockade of the Russian coast the Russian Government was unable to assist in enforcing the complex system of allied control over imports to neutral countries, but it was nevertheless interested in seeing that the customs barrier it had erected against the German coalition should not be broken under the pretext of export to neutral countries.

In comparison with the blockade of neutrals brought into effect on the sea by Great Britain, Russian legislation controlling exports to neutral countries was very simple and unpretentious. The fundamental provisions may be summarized as follows. We are aware that from the very beginning of the War a number of measures restricting exports had become operative in Russia; the first of them, the decree of the Minister of Finance of 26th July 1914 provided that "in the case of the restrictive measures enumerated above the Minister of Finance may grant exceptions in favor of countries allied or friendly to Russia." The system of licenses introduced by this enactment became the chief weapon, from the point of view of the German blockade, for the control of export to neutral countries. This system took shape on 4th May 1915 in the consolidated "Rules on the export during the War of goods under embargo," the charter of Russian foreign trade in war-time, with which we are already familiar. In accordance with these rules, goods placed under embargo during the War, "may be exported to allied and friendly countries with the permission of the Minister of Finance" (Article 3). But the exporter must obtain a license for which he applied to one of the Departments of the Ministry of Finance, the Customs Department (*Departament Tamozhennikh Sborov*). This was to provide a guarantee against the delivery of Russian goods to the enemy by way of neutral countries. The rules laid down the following principle: "If the Minister of Finance, after an examination of the consignor's application (Article 4), decides that the goods named in the application may be allowed to leave the country, the applicant, on receiving a communication to this effect from the Customs Department, must obtain diplomatic guarantees that the goods named in his application will not be diverted while proceeding to their destination and will not find their way to enemy markets either from the country to which they are consigned or from the neutral countries through which they may pass in transit. Applications for such guarantees shall be made by the consignor to respective embassies or legations. The guarantees will be communicated by the embassies or legations to the Ministry of Finance through the Ministry of Foreign Affairs" (Article 7). Licenses for export purposes may be granted only on the receipt of these "diplomatic guarantees" (Article 8).

The system of diplomatic guarantees extended to neutral as well

as to allied countries: every license had to be accompanied by a guarantee. The only difference between export to neutral and to allied countries was that certain commodities (maize, bran and husks, bacon, butter, game and poultry, eggs, guts, fish, high-class tobacco, lumber, oil-seeds, clover seeds and fodder, furs, except sheep, mutton and goat skins) could be shipped without license, and therefore without diplomatic guarantees, direct to an allied country on vessels flying the Russian or an allied flag.

The control of exports to enemy countries through neutral territories created by the system of diplomatic guarantees was undoubtedly purely formal. The legation of the neutral state in Petrograd needed only to issue a certificate stating that "the freight will not be diverted while in transit through its territory and will not be re-exported to the enemy market." There was no means of checking the carrying out of the guarantee and no sanction in case it failed. Both functions were entrusted to the neutral government whose legation issued the certificate. Neutral governments deeply interested in maintaining the freedom of trade, since the demand for goods, especially for Russian raw materials, was growing with every month of the War, were unwilling to take a serious view of the diplomatic guarantees they issued; on the contrary their attitude was a very lenient one. From the very outbreak of the War many countries adopted the policy of setting an export embargo which covered a wide range of commodities, and later placed restrictions to cover goods in transit.[19] Consequently neutral governments when requested to issue the certificates demanded by the Russian Government limited themselves to an inquiry as to whether the commodity in question appeared in the list of goods whose export or transit was prohibited. If the commodity named in the application of the Russian exporter appeared in the list, the neutral state considered it proper to undertake the obligation involved by the issue of the guarantee.

The practical result of the system of ineffective diplomatic guarantees created by the Rules of 4th May 1915, which remained in force until Russia withdrew from the War, was negligible. The suspension of the export of Russian goods from neutral countries to Germany, and from there to other enemy states, rested exclusively on the restrictive legislation on transit and imports enacted by those

[19] For instance *cf.* the Norwegian system: *Oversigt over de vigtigste av Utenriksdepartement . . . behandlede Saker,* Christiania, 1916, pp. 35 *sqq.*

states. But as this legislation also admitted exceptions by special license, then even if the neutral governments would not issue licenses for the export of those goods of Russian origin which reached their country under diplomatic guarantees, there was nothing to prevent the export of local goods of a similar kind, their place being taken by those imported from Russia; nor was there anything to prevent the export of articles manufactured from Russian raw materials.

This state of affairs was accepted and no endeavor was made to improve upon it, so long as the practice of economic war in the western states, especially in Great Britain and France, did not work out more effective methods of controlling the supply of goods to the enemy through the neutral countries. These new methods did not come into being at once, but were developed from a number of principles logically following one another. First, there was the endeavor to put the responsibility for the suspension of export, not upon the foreign governments, but upon the neutral merchants themselves or upon their organizations; for that reason commercial guarantees were substituted for diplomatic ones. This new principle was embodied for the first time in the agreements entered into by Great Britain with the organization of Dutch importers, the Netherlands Overseas Trust, and early in 1915 with the American cotton dealers. The second principle on which were based the new methods of control over the supply of the enemy from neutral countries consisted in rationing the exports allowed to the latter. This principle as an essential part of the whole machinery of the British blockade of Germany was first applied toward the close of 1915.[20] The Russian policy of licenses fell within the influence of these new ideas.

Their first application in Russia may be found in the agreement with the United States of 10/23 September 1915 on the exportation from Russia to the United States of goods under embargo.[21] The system of diplomatic guarantees of the Rules of 4th May 1915 were by this agreement radically changed with reference to the United States. Applications for the export of commodities from Russia were

[20] For new methods of the British blockade *cf.* Tönnies, *Die niederländische Uebersee-Trust-Gesellschaft, Jena,* 1916, pp. 10 *sqq.;* Jöhlinger, *Der britische Wirtschaftskrieg und seine Methoden,* Berlin, 1918, pp. 217 *sqq.;* Fayle, *Seaborne trade,* II, pp. 158, 166, 301.

[21] *Ukazatel Pravitelstvennikh Rasporyazheni po Ministerstvu Finansov i Ministerstvu Torgovli i Promishlennosti,* 14/27 February 1916, no. 7.

filed by American importers with the Commercial Agent in charge of the New York office of Foreign and Domestic Commerce of the Department of Commerce of the United States, who, having satisfied himself as to the business standing of the applicant, forwarded the application to the Russian Embassy in Washington or to its representative, the Russian Commercial Attaché. The Embassy forwarded the application to the Department of Customs of the Russian Ministry of Finance, which then issued the permission for export. At the same time that he filed his application with the Commercial Agent of the Department of Commerce of the United States, the American importer stated "his preparedness to file with the proper Russian official in the United States a bond to the Imperial Russian Government to the amount of the value of the goods at the port of importation as of the day prior to the execution of the bond." "This bond," continued Article 2, "shall run for a period of at least three years or until the conclusion of the War; and the said bond shall guarantee that the commodities, raw materials, or products manufactured therefrom, which it is desired to import, shall not be exported from the United States to any country unless special permission therefor be granted by the Imperial Russian Government or by its representative." This bond was executed by the importer on the receipt of the information that the permission for the exportation of goods had been granted him; it was then forwarded to the Russian Embassy by the Commercial Agent in New York. The legal purport of the bond is stated in Article 6: "Should it be found that the terms of the bond have been violated and that the goods in question have been exported from the United States either in their original form or in manufactured form, except with the specific approval of the Imperial Russian Government or its representative, the bond shall be forfeited to the Imperial Russian Government." In other words, the Russian Government was entitled in such case to claim from the importer the sum for which the bond was executed.

It is difficult to say how far the system created by the Russo-American agreement of 1915 was practicable, especially by what means the Russian Government could check the export of Russian goods from the United States and how it could enforce its claims for the payment of guarantees. At any rate, it was a distinct step toward the new methods of the allied blockade by thus making the

permission for exportation dependent on a direct agreement with the importers and entirely ignoring the system of diplomatic guarantees which had really existed only on paper.

It may easily be seen that the danger of the export of Russian goods from the United States into enemy countries was rather a theoretical one; it is difficult to imagine Russian commodities finding their way to Germany by way of the United States, crossing the ocean twice and eluding the control of the sea routes by England.[22]

From the point of view of the German blockade, the problem of export to the Scandinavian countries was of much greater importance. The original mistrust by the Russian authorities of the system of diplomatic guarantees took the shape of a plain refusal of licenses for the export of Russian goods to those Scandinavian countries which were under the suspicion that through their territories the imported commodities might find their way to Germany. Norway alone was considered perfectly safe in this respect. In the memorandum of the Russian committee on prevention of supplies reaching enemy countries, an interdepartmental body set up in 1916 which prepared this memorandum at the beginning of the War and presented it to the Allies, the policy of Russian exports to Norway was described as follows: "Russia's policy with regard to export to Norway was till recently guided by two considerations. In the first place, it was considered that Norwegian public opinion was on the side of the Allies, and, in the second place, it was considered that Great Britain, in view of her geographical position and other causes, exercised an effective control over the imports to Norway. As a rule, therefore, permission to export to Norway had been granted, the only condition imposed being that the ordinary diplomatic guar-

[22] As a result of the United States joining the Allies, the Russian Ministry of Finance by an ordinance of 28th September 1917 (No. 33929) allowed export to the United States on the same conditions as to other allied countries, and the resulting repeal of the guarantee of the non-exportation of Russian goods from the United States established by the agreement of 10/23 September 1915. (*Ukazatel Pravitelstvennikh Rasporyazheni po Ministerstvu Finansov i Ministerstvu Torgovli i Promishlennosti,* 1917, no. 40.) It may be noted that the volume of export from Russia to the United States was unimportant. Here are the data for the Russian European frontier: first year of the War (August 1914 to July 1915) 433,000 rubles, second year (August 1915 to July 1916) 5,050,000 rubles, third year (August 1916 to July 1917) 14,161,000 rubles.

antees should be given regarding non-export from Norway of the goods imported from Russia." In practice, however, in spite of the liberal attitude of Russia on the question of Russian export to Norway, its results were insignificant. During the second year of the War (August 1915 to July 1916) Russian export to Norway amounted to 1,319,000 rubles, and during the third year of the War (August 1916 to July 1917) to 2,987,000 rubles.[23]

On the other hand, the granting of licenses for exportation to Sweden was very strict. Notwithstanding the fact that the two countries adjoined each other, and in spite of the steady growth of the export of Swedish goods to Russia and facilities for trade offered by the freedom of the naval route north of the Aland Islands and the linking of the railroads at the Tornea River, Russian exports to Sweden during the first year of the War reached only 2,121,000 rubles, while for the same period Russian imports from Sweden were 18,059,000 rubles; in the second year of the War Russian trade with Sweden had a still more passive character: the 6,747,000 rubles of Russian exports are to be compared with 80,053,000 rubles of Russian imports.

Similar caution was exercised by the Russian Government in granting licenses for export to Denmark. In spite of the economic conditions which would seem to favor the development of such export, it remained through the War almost on the same level as Russian export to economically feeble Norway (the first year of the War, 1,706,000 rubles, the second year 1,543,000 rubles, and the third year 2,293,000 rubles).[24]

In the summer of 1916, one began to realize in Russia that the mere suspension of export to Sweden, as a guarantee against the leakage of Russian goods into Germany and other enemy countries, was a very rudimentary and expensive method of settling the problem. A way out was found in the idea of rationing export to neutral countries; such rationing had by then become familiar through British practice. If Sweden prevented the creation on her territory of a machinery for allied control, it must at least be made certain

[23] The monthly surveys of the Department of Customs do not allow us to compute the figure of exports for the first year of the War: one may assume that it was not high, the whole export from Russia to Norway in 1915 being only 440,000 rubles, *cf.* p. 38, n. 24.

[24] *Cf.* p. 38, n. 24.

that the volume of Russian exports to that country should not exceed that which was customary in normal pre-war times. With such guarantees, export was admissible from the point of view of economic war. On this ground, during the summer months of 1916 the Swedish minister in Petrograd and the Russian Ministry of Foreign Affairs entered into negotiations on the expansion of Russian exports to the amount that had been customary up to that time. The negotiations were conducted on the basis of compensation, in accordance with the Swedish war-time policy: for permission to export from Russia, Sweden must make compensation by a corresponding number of licenses for goods which it had kept for its own use. The agreement was signed on 14th February 1917 and provided that export from Russia should not exceed the demand of the Swedish home market.[25]

The new policy of control over the actual destination of exported goods, which was substituted for the system of diplomatic guarantees of the Rules of 4th May 1915 and found its expression in the system of rationing of the Russo-Swedish agreement of 1917, was further developed with reference to exports to Norway. I have stated above that the Russian Government was issuing licenses freely to Norway under the rather vague assumption that its public opinion was favorable to the Allies and that Great Britain, as its neighbor, was well informed as to what was going on in that country. But when it appeared that Great Britain allowed the import into Norway of her goods and those from overseas on an agreement with local commercial organizations only, who guaranteed that they would not reëxport to Germany, Russia decided to apply similar methods to her exports to that country. Two such agreements were concluded by the Russian Ambassador in Christiania (Oslo) in September and December 1916, the first of them dealing with the exportation of hemp, and the second, with that of other commodities. In accordance with these agreements licenses for exportation from Russia were issued after the organization of Norwegian importers had given a written guarantee that the imported commodities would not be exported to Germany or to other enemy countries, and that articles manufactured from Russian goods (especially hemp) would not be so exported, and that the foodstuffs obtained by using imported Rus-

[25] Hildebrand, *De Svenska Statsmakterna,* 1917, p. 81.

sian goods, especially fish caught by nets made of Russian hemp, would not be available for the enemy market. The Norwegian Government endorsed the guarantees given by the organization of Norwegian importers.[26]

The system outlined in the agreement with Sweden of 1917 and that with Norway of 1916 never reached its full development. The network of British agreements with neutral organizations was beyond all comparison more perfect and elaborate than these first attempts of the Russian Government. The Russian agreements were signed on the eve of the Revolution which completely disorganized the economic life of the country. It was no longer possible to use them for the substantial expansion of Russian exports to Scandinavia. The figures of Russian exports to Sweden in the third year of the War (August 1916 to July 1917) show, nevertheless, that the agreement of 1917, in spite of the economic breakdown of Russia, contributed materially to the advancement of commerce with that country: Russian imports reached 10,254,000 rubles, an increase of 50 per cent as compared with those for the second year of the War.

The Russian foreign trade policy, during the neutral blockade which had as its objective the blockade of Germany and her allies, has a place in the general struggle of the Allies to hinder supplies entering Germany, a place which should not be ignored. But it was not, of course, a part of primary importance. The machinery of the British blockade was beyond all comparison more powerful and effective. This supremacy of Great Britain, her supremacy over the maritime routes of the North Sea and of the Mediterranean, explains the peculiar nature of the system of the restrictive foreign trade policy of the Russian Government. The Russian and the British blockade were not well coördinated.

The Russian Committee on limiting supply to the enemy, the organization of which I have already described, in one of its early pronouncements called attention with regret to the complete disaccord which prevailed in the dealings of Russian and British authorities concerning the problem of trade with neutrals. In the memorandum already quoted, "On the rationing of Scandinavia," the Russian Committee pointed out that the system of rationing could not work

[26] I express my sincere gratitude to K. N. Gulkevich, former Russian Minister in Christiania, and P. N. Savitsky, his technical adviser, who kindly communicated this information to me.

satisfactorily, unless in the case of certain goods which might be exported from the different allied countries the latter would agree on the total amount of export of those goods which might be permitted, as well as the share of each allied country in the export. The Committee quotes the following example of lack of coördination in the restrictive policy of Russia and England: "The British Government informed the Russian authorities that Sweden in addition to receiving clover seed from Russia had received considerable quantities from other countries. This information came quite as a surprise to the Russian Government, which had been in ignorance of the fact that Sweden had been drawing supplies of clover seed from more than one source."

The problem of coördination of exports to neutral countries was raised at the Inter-Allied Conference held in Paris on 27th-28th March 1916 which adopted the following resolution (Resolution III): "In order to strengthen, coördinate and unify the economic action to be enforced for the prevention of supplies of goods reaching the enemy, the Conference has decided to constitute in Paris a permanent Committee where all the Allies will be represented." This committee, which became known as the *Comité Permanent International d'Action Économique* and which began its work in the summer of 1915, proved unable to exercise an active control of the situation. The headquarters of the rationing of exports to neutral countries remained in London, in the hands of the British Rationing Committee, while the Paris Committee was only occasionally invited to express its views on the subject.[27] The Russian Government had no regular business relations with the British Committee and its policy of limiting the supplying of neutrals by customs restrictions remained, therefore, practically independent of the policy of the British blockade. The story of the clover seeds could have been repeated over and over again, but for the general decline of Russian exports due to the Revolution.

In its instructions to the Russian delegates to the Economic Conference held in Paris in 1916, the Russian Government, having stated the importance of a study of the problem of checking exports to

[27] Comité Permanent International d'Action Économique, *Compte rendu des travaux du Comité en 1916,* 1917, pp. 22 *sqq. Cf.* Etienne Clémentel, *La France et la politique économique interalliée,* in the French Series of the *Economic and Social History of the World War.*

neutral countries, emphasized the particular importance of Rumania in this respect. Indeed, that country remained outside the direct influence of the economic war as long as it remained neutral. Russia continued to export her goods to Rumania and to import Rumanian goods under the general régime of diplomatic guarantees. Russian export, though less than before the War, still continued. In the first year of the War, Russia exported to Rumania goods worth 2,611,-000 rubles; in the second year, to the amount of 5,849,000 rubles.[28] But considered from the point of view of economic war, the importance of such export was very small indeed. It was the Rumanian grain and petroleum, and not the volume of imported Russian goods, small as it was, that made Rumania an important center of supply for the German coalition. Commercial dealings with Rumania could be prevented only by peace-time methods, that is, by the wholesale purchase of Rumanian goods. Such was the policy of the Allies who, however, agreed on it long after it had been put in practice by Germany and Austria-Hungary. It is known that the Rumanian harvest of 1914-1915 was exported to the latter countries, and that the Allies made extensive purchases of Rumanian grain and petroleum only on the eve of Rumania's entrance into their ranks.[29]

[28] *Vlyanie voini na tovaroobmen Rossii s Ruminei* (*Effects of the War upon the Russo-Rumanian Trade*), in *Vestnik Finansov*, 1915, no. 27, p. 24; *Tovaroobmen Rossii s Ruminei v 1914*, *ibid.*, 1915, no. 48, p. 302.

[29] *Cf.* Helfferich, *Der Weltkrieg*, II, 1919, pp. 206 *sqq.*; for Russian and Austro-Hungarian diplomatic documents, *see* Niemeyer and Strupp, *Die völkerrechtlichen Urkunden des Weltkrieges*, II, 1918, pp. 577, 703.

CHAPTER IV

SUSPENSION OF ENEMY COMMERCE AND INDUSTRY WITHIN THE TERRITORY OF THE EMPIRE

1. *General character of Russian war-time restrictive legislation.*

In our outline of the general evolution of the position of the Russian Government in its relation to the purposes of the economic struggle during the Great War, we have seen that the original views as to the inviolability of enemy private property gradually gave place to the desire to fight against the "German yoke." We shall now describe this policy and its results.

To begin with, we may record an important general characteristic. All the measures directed by the Russian Government to the restriction or to the complete uprooting of the economic interests of enemy nationals within Russia were devoid, if this expression may be allowed, of formal "legal stamp." Certain practical problems were raised and methods were sought for their solution, but no one took care to find a legal excuse for these problems and methods, in order to put them on a legal basis. I do not mean to say that in other countries the formal legal bases of economic war were perfect and solid; that question is entirely outside the field of my investigation, since I am not writing a legal treatise, but am merely examining developments which actually took place. Nevertheless, after a fashion, economic war, either in the form of measures prohibiting trade with the enemy, put into operation by Great Britain, or "measures of retaliation," employed by Germany, was seeking for a certain amount of justification in law. No such formula was sought in Russia. In none of the legislative acts relating to the measures of economic war do we find any reference to legal doctrine. All of them are founded on the same principle, that the interests of the State required a certain measure and it was brought into operation under the "necessity of war-time conditions." The fullest explanation is contained in such formulas as: "Taking into consideration the conditions created by the War, We deem it expedient, in accordance with Article 87 of the Fundamental Laws (*Svod Zakonov*, I, part 1, ed. 1906), to enact as follows . . ." Sometimes this formula is

omitted altogether, and the enactment merely states: "In accordance with Article 87 of the Fundamental Laws (*Svod Zakonov*, I, part 1, ed. 1906) the acts concerned shall be amended as follows . . ." We have to deal therefore merely with expediency, with the interest of the state, unrelated to any other consideration.

This particular feature of the measures directed against the economic interests of enemy nationals within Russian territory was undoubtedly closely linked with the fact that the policy of the Russian Government rapidly shifted from provisional measures of safeguard, such as sequestration and control which were predominant at least during the early period of the operation of restrictive legislation in most countries, to measures of liquidation which practically amounted to expropriation. This rapid transition to the liquidation of enemy rights and interests may be easily explained, if we remember that the struggle was then understood to be one against the "German yoke." There was no question in Russia, as there was in other countries, of expanding provisionally, and as a transitory measure, the scope of the War to include the field of economics with the intention that this struggle, waged beyond the confines of the battlefields, should be suspended with the end of hostilities. On the contrary, Russia was endeavoring to obtain lasting results by destroying enemy interests firmly established on Russian soil. The policy of expropriation was also to be adopted in the long course of the War by other countries, but its acceptance was to be slower and more gradual than in Russia, where measures of "liquidation" could be found in effect even in February and May 1915.

The struggle against the economic interests of the enemy within the Russian territory, which as we have pointed out was conducted with great determination, calls for one general remark. The absence of "legal stamp" on Russian measures of economic war was due not only to the fact that they were dictated simply by expediency, but also to the general atmosphere of disregard for the principles of law under which they were carried out. As soon as the early doubts as to the legality of such infringement of the private rights of enemy nations were dispelled, the struggle was conducted on a definite denial of such rights.

There is no instance more characteristic of this attitude than the denial to enemy nationals in Russia of the right of protection by the Law Courts. Russia was not the only country which proclaimed that

enemy nationals did not enjoy the protection of its courts. The British Courts, basing their action on a long list of precedents dating back to the eighteenth century and to Lord Stowell, stated the general principle that enemy nationals have no right to bring an action in British Law Courts without the special permission of the Crown. British Law Courts, however, displayed great flexibility during the last war in applying this old provision of the common law. Their practice bears no trace of the rigidity of the theoretical principle; while preserving a negative attitude toward the enemy's right of action, they made a number of exceptions inspired by respect for the principles of justice. For instance, the right of action was conceded to enemy nationals who were permitted to reside in the United Kingdom; enemy nationals who brought an action which was not met with a plea invoking the allegiance of the plaintiff to an enemy country, were allowed to proceed with their action; enemy defendants enjoyed full rights, including that of appeal, etc. There were no precedents in Russia which would justify the denial of the protection of the Law Courts to an enemy. On the contrary, the traditional policy of Russian legislation extended to enemy nationals "the protection of the Russian Law" without any exception whatever. The Russian code contained a number of provisions which were contrary to the principle of outlawry of enemy nationals. Nevertheless, the most drastic and decisive denial of the right of enemy nationals to the protection of the courts was enforced by an open violation of the letter and spirit of the Russian law, by placing the personal and property rights of enemy nationals at the mercy of the executive. This measure was brought into operation by means of a decision of the Senate. Under the constitution, the Supreme Court of Russia, the Senate (*Pravitelstvuyushchi Senat*), possessed the right to interpret the law on the request of the executive. Following this procedure, the Senate, at a joint sitting of the Department of Appeal and of the First Department, had to decide the question of the right of enemy nationals to the protection of the Courts; the decision of the Senate of 9th February 1915 (No. 1 in *Sbornik*) definitely stated that enemy nationals have no right to the protection of the Courts.[1] A detailed examination of the argument

[1] The full text of the decision is published in *Sbornik uzakoneni, rasporyazheni, razyasneni i tsirkulyarov ob ogranicheni prav nepryatelskikh poddannikh i o pravitelstvennom nadzore za torgovo-promishlennimi predpryatyami*

of the Senate would be out of place here. It will be enough to state that by means of a chain of legal sophisms it defeated the most obvious conclusions in Russian law. The result being thus achieved, the Senate laid down the following principles: enemy nationals, natural or juristic persons, have no right to the protection of the Law Courts in Russia during the War, nor can such persons be represented in Court by even an attorney; on the other hand, enemy nationals in Russia may be sued, but such action should be brought against the receivers who are appointed on the request of the plaintiffs to represent the person and property of the defendants; actions instituted by enemy nationals before the outbreak of the War are suspended, and those commenced after the outbreak of hostilities are discontinued on the initiative of the Courts.

The decision of the Senate, quoted above, which had the force of law, was very typical of the general atmosphere in which the restrictive legislation on enemy rights and interests in Russia was drafted. Russian public opinion, at least that part of it which escaped the influence of extreme militaristic chauvinism, at that time very properly stated that the decision of the Senate "violated the very foundation of civil law" and that "it sanctioned the right of dishonest people to act dishonestly."[2]

2. *Liquidation of enemy commercial firms* (Law of 11th January 1915).

We have already said that the measures of Russian economic war against enemy rights and interests within the Russian territory developed in two general directions: the Russian Government was endeavoring to make a clean sweep, first, of enemy commerce and industry, especially German, and, secondly, of landownership by Germans. We shall consider now the measures of the first group.

(*Collection of Enactments Dealing with the Rights of Enemy Nationals*), published by *Osobaya Kantselyarya po Kreditonoi Chasti,* 1915, pp. 91 *sqq.*

[2] V. Kuzmin-Karavaev, *Voprosi Vnutrennoi Zhizni* (*Internal Problems*), in *Vestnik Evropi,* 1915, March, p. 375; Baron Nolde, *Zakonodatelstvo o chastnikh pravakh nepryatelskikh poddannikh* (*Legislation Dealing with Private Rights of Enemy Nationals*), in *Pravo,* 1915, pp. 1230 *sqq.,* 1305 *sqq.,* 1378 *sqq.,* 1707 *sqq.;* for British practice of legal protection *see* MacNair, *Essays and Lectures upon some Legal Effects of War,* Cambridge, 1920, pp. 25 *sqq.*

The first enactment of this kind was called forth by a purely extraneous event. Under the Russian law, commercial firms, banks, insurance companies, commercial agencies, and various contractors, industrial undertakings, factories, workshops, mines, shipping and carrying firms, as well as persons engaged in any trade, were subject to a special tax, known as the Imperial tax on commerce and industry (*gosudarstvenni promislovi nalog*). This tax consisted of the so-called *principal* tax and the *supplementary* tax, the former being levied in the form of trade licenses (*promislovoe svidetelstvo*), which were issued for the ensuing year to every undertaking subject to the tax and were to be renewed before 1st January of the next year.[3] In accordance with this law all commercial and industrial firms operating on Russian soil, as well as all persons engaged in trade, had to apply before 1st January 1915 to the local departments of the Treasury (*Kazennaya Palata*) to obtain such trade licenses. This regulation, in itself only a matter of routine, raised in all its magnitude the problem of enemy firms in Russia. The Council of Ministers having examined the question which was submitted to it by the Minister of Finance, M. Bark, decided in favor of a compromise between the radical demands of the already popular program of "freedom from the German yoke" and the more moderate section of Russian public opinion which feared the disorganization of economic life. For this reason commercial firms of the enemy were closed, while its industrial undertakings were allowed to carry on.

This measure which became a law, the decision of the Council of Ministers sanctioned by His Majesty on 11th January 1915, contained the following provisions:[4] "Trade licenses authorizing the operation of commercial firms and the carrying on of trade," reads Article 1 of the law, "shall not be issued to nationals of countries which are at war with Russia, nor to the representatives of partnerships with or without limited liability, if any of the members of such partnerships are nationals of such states, nor to the representatives of companies or institutions, subject to public audit, incorporated under the law of a country with which Russia is at war and duly authorized to operate in Russia." In order to realize the extent of this measure one should take into consideration that persons

[3] *Ustav o Pryamikh Nalogakh* (*Statute of Direct Taxes*), Arts. 366, 367, 409, 431, *Svod Zakonov*, vol. V, ed. 1903.

[4] *Sobranie Uzakoneni*, 1915, Art. 157.

engaged in trade and business, subject to the tax on commerce and industry, and whose licenses, therefore, were suspended by the Law of 11th January 1915 included the following: persons participating in the administration or control of establishments subject to public audit, shippers and carriers, brokers, notaries, inspectors and agents of insurance and shipping companies, salesmen in large commercial houses and commercial travelers,—in short, some of the holders of the better qualified permanent employments in commerce and industry. Thus, the suspension of the issue of trade licenses to the persons enumerated above affected rather their personal rights than the existence and operation of commercial establishments. Against the latter was directed the provision prohibiting the issue of licenses for the *operation* of commercial firms.

The significance of this restriction was quite clear as long as it was applied to undertakings owned by individuals. When it was applied to consolidated organizations one had to distinguish, on the one hand, partnership with or without limited liability, and, on the other, "companies and institutions subject to public audit." The latter term had a fiscal and legal meaning, and included joint-stock companies. In the case of partnership with or without limited liability, the refusal of trade licenses depended on the presence of enemy nationals among its members. In order to solve the difficulty of the partnership obtaining a license, it was enough therefore for such members to sever their connection with the partnership. The Law of 11th January was powerless to prevent the simulated reorganization of such a partnership, which could be easily carried out in such a way as to prevent its identification as an enemy concern. Furthermore, a purely formal method was chosen for determining whether or not a joint-stock company was an enemy organization: the conclusion was made dependent on the question whether the company had a Russian constitutional charter (*Ustav*), though it was generally known that German companies operated in Russia as independent companies under a Russian charter. The method of determining nationality, in use under the Law of 11th January, was based on the traditional policy of Russian legislation and on Russian legal doctrine, but in practice this undoubtedly narrowed the application of the measure. Considering that all of the larger enemy establishments were in the form of corporations, and were not owned by individuals, one must draw the conclusion that the Ukase

of 11th January was applied mainly to small enemy firms and to such of the larger ones as had preserved their enemy charters.

The Law of 11th January naturally had to provide for the case of suspension of trade licenses for 1915. Article 2 reads as follows: "Commercial establishments owned by individuals, partnerships, companies and institutions listed in Article 1 shall be closed, and the carrying on of trade by individuals shall be discontinued; in order to liquidate their affairs the aforesaid individuals, partnerships, companies, and institutions are allowed until 1st April 1915 to continue their business on condition that they shall obtain special trade licenses for which they shall be charged one-fourth of the doubled fee for the trade license for their respective class, as established for the year 1915, or that they shall for a period of three months pay double the personal trade tax for the year 1915." The time allowed for liquidation was very short, but the liquidation itself was voluntary, without the participation of public authorities. There was no provision, however, as to what should be done if voluntary liquidation was not carried out within the stipulated time; neither was any provision made as to the procedure for the liquidation of the more complex undertakings belonging to partnerships and companies; the creditors of the firms were overlooked and nothing was said as to what should be done if the firms were the joint property of enemy and non-enemy nationals: Russian, allied or neutral.

The main idea of the Law of 11th January, which marked the turning point in the decisive campaign against enemy firms in Russia, as well as its omissions and loose wording, called forth criticism from Russian industrial and commercial circles. This should be mentioned because one might have expected that for reasons having to do with trade competition these groups would have been in favor of restrictive legislation. It proved, however, that they were better able to resist the tide of chauvinism than the Russian Government was. We find the following statement in the editorial of a paper published early in 1915 by the most influential organization of Russian commerce and industry, the Permanent Council (*Soviet Syezdov*) of Commerce and Industry.

"Considered from the point of view of the interest of Russian industry in the attacks on German firms, we are bound to say without reservation that as a political measure these attacks are undoubtedly effective, but on the other hand we maintain that it would

be a great error to expect that the development of Russian industry will substantially benefit by them."[5] In a special article devoted to the Law of 11th January the same paper points out that the legislators have entirely overlooked the safeguarding of the interests of the creditors of firms to be liquidated, that too short a time was given for liquidation, that the closure of commercial firms would, in certain cases, make impossible the very existence of those industrial undertakings with which they were connected. It was suggested that the liquidation should be entrusted to special committees which should act in accordance with all the facts of the case.[6]

The criticism of the Law of 11th January, and the difficulties which the local officers of the Ministry of Finance met in enforcing it, necessitated an authoritative interpretation of the Law.

The first step in this direction was the publication of an ordinance, dated 16th March 1915, by the Department of Taxes addressed to the heads of the local departments of the Treasury. It is extremely interesting because, as a method of avoiding closure, it sanctioned the transfer of enemy establishments to Russian and non-enemy nationals. Article 2 of the Ordinance says that "Commercial and industrial establishments belonging to enemy nationals may be transferred . . . to a third party of Russian or neutral nationality" (I note that the Allies have been overlooked for some reason or other). This opened the possibility of fictitious transfers which neutralized the effect of the campaign against the "yoke." The interpretation of the very term "commercial establishment" proved equally broad. Article 1 of the Ordinance provides as follows: "With reference to the question of the liquidation by 1st April of commercial establishments connected with industrial undertakings, it must be understood that the wholesale trade by enemy nationals in commodities of their own make from the workshops or office or from the commercial establishments operated in virtue of Clause 37 of Article 371 of the Statute of Direct Taxes (*Ustav o pryamikh nalogakh*) as parts of the industrial undertaking or within the same township where such undertaking is located, as well as the direct retail trade

[5] *Chrezvichainya meri* (*Measures of Emergency*), in *Promishlennost i Torgovlya*, 1915, no. 2, p. 117.

[6] *T. Khr. Neskolko zamechani popovodu zakona 11 yanvarya 1915 g.* (*Comments on the Law of 11th January 1915*), in *Promishlennost i Torgovlya*, 1915, no. 5, p. 275.

carried on in the workshop itself by the aforesaid nationals in commodities of their own make, as authorized by Clause 38, Article 371, of the Statute, shall be considered a part of the operation of the industrial undertaking and therefore shall not be discontinued by 1st April under the Law of 11th January.[7] On the contrary, all establishments such as bakeries, confectioneries, delicatessens, etc., as long as they are commercial establishments which require a special trade license for the carrying on of their business, shall be closed by 1st April, even if the retail trade of these establishments deals with articles exclusively of their own make." Bakeries, confectioneries, and delicatessens were sacrificed to the idea of freedom from the German yoke, while larger commercial establishments, connected with industrial undertakings, were exempted from the operation of this measure of liquidation enacted by the Russian Government.

The second enactment, which was published as an amendment of the Law of 11th January, was the decision of the Council of Ministers sanctioned by His Majesty on 10th May 1915 relating to the liquidation of commercial firms owned by enemy nationals.[8] This Law established the procedure for the liquidation of the more complex enemy establishments, but it also settled the problem raised by the Ordinance of the Department of Customs as to the suspension of liquidation of such establishments by the mere withdrawal of enemy nationals from the company of owners or partners. In this respect the Law was framed on the same lines as the Ordinance. "The operation of the decision of the Council of Ministers relating to the issue of trade licenses for the year 1915 to enemy nationals sanctioned by His Majesty on 11th January 1915," says Article 1 of the Law of 10th May, "does not apply to commercial partnerships which had enemy nationals among their partners, if such persons have withdrawn from the association before 1st April 1915." As to the procedure for the liquidation of commercial establishments, it was applied in the following cases: (1) to firms owned jointly by

[7] Clauses 37 and 38 of Article 371 of *Ustav o Pryamikh Nalogakh* read as follows: "37. Wholesale trade on the Trade Exchange in articles manufactured by the undertaking, from the workshop or the office, of the commercial establishment attached to the undertaking, or located within the same township (*poselenie*) as the undertaking itself. 38. Direct retail trade of commodities manufactured by the undertaking carried on in the workshop itself, without maintaining a special shop for retail trade."

[8] *Sobranie Uzakoneni*, 1915, Art. 1113.

enemy and non-enemy nationals; (2) to partnerships with or without limited liability which have enemy nationals among their partners; (3) to undertakings owned by joint-stock companies chartered under the law of an enemy country. In each of these cases a special organ for receivership was created: in the first case—that of a joint ownership—the liquidation was carried out by those owners who were non-enemy nationals; in the second,—partnership with or without limited liability,—by the non-enemy partners (in partnerships with unlimited responsibility where the sole member was an enemy national, by those who subscribed to the capital); and in the third case —that of joint-stock companies—by a responsible agent who was not an enemy national, jointly with a shareholder or shareholders appointed by the meeting of the shareholders. The receivers were vested with the usual powers: they examined creditors, assumed the management of the firm, wound up all business in hand, received payments. But it was not the purpose of the Law to bring about the closure of the establishment; on the contrary it favored the sale of the business to the other owners of the partnership. The Law directed the receivers "to sell the firm as a whole or in part" and only when this should prove impracticable did it empower them "to realize the assets" (Articles 10 and 11). The appointment of receivers was sanctioned by the Courts. If the persons designated by the Law as receivers did not within two weeks make a statement accepting the task or declining it, or if they were unable to carry it out, a receiver or receivers should be appointed by the Court (Articles 4, 5, and 11). The liquidation must be completed within one year after the confirmation or appointment of receivers (Article 22, Part II). Later, by a decree of 14th June 1917 of the Provisional Government[9] this time could be extended by a decision of the Court. The Government reserved the right of supervising the liquidation proceedings by means of government inspectors, a special body for controlling undertakings representing enemy interests, which will be discussed below. If, in the course of the liquidation, it appeared that the firm was insolvent, the usual bankruptcy proceedings should be substituted for those of the Law of 10th May (Article 21, Part II).

What was the ultimate purpose of the liquidation proceedings laid down by the Law of 10th May? The receivers, of course, began by paying the claims of creditors, and then apportioned the surplus

[9] *Sobranie Uzakoneni*, 1917, Art. 903.

among the owners, partners, and shareholders. All the sums due to owners, partners, and shareholders of enemy nationality were paid to their account in a special fund in the State Bank, which had been created by a previous Act, the Law of 15th November 1914 (Articles 16 and 17, Part II), relating to the suspension of payments to enemy nationals, which will be discussed in the chapter on the financial blockade.

Considering the short time limit put in effect by the Laws of 11th January and 10th May (one should note, however, that the date of closure, by a decision of the Council of Ministers, sanctioned by His Majesty,[10] of 29th March 1915 was postponed from 1st April to 1st June 1915) it is only natural to assume that the liquidation was carried on under conditions which were anything but favorable to the owners of enemy firms. With the exception of the cases already discussed above, when by a simulated transaction non-enemy owners were apparently substituted for enemy ones, the machinery of liquidation was bound to convert flourishing commercial firms belonging to enemy nationals into a modest surplus in cash to be kept until the end of the War. Official data on the effects of the operation of such legislation as related to the closure of enemy commercial establishments fully corroborate this view of the effect of the first outburst of the War declared against enemy commerce on Russian soil. It became known during the course of liquidation that 1,839 firms were affected by the Law of 11th January. Out of this number 1,361 either closed voluntarily or changed hands. The remaining 478 were compelled to submit to compulsory liquidation under the Law of 10th May 1915.[11]

3. *Liquidation of industrial undertakings* (Law of 17th December 1915).

In the first chapter of this monograph I have given an outline of the vacillating policy of the Government in the case of enemy prop-

[10] *Ibid.*, 1915, Art. 795.

[11] V. Rosenberg, *Fiktivnaya peredacha predpryati* (*Fictitious Transfer of Ownership*), in *Torgovo-Promishlennaya Gazeta*, 17th January 1916, no. 13; Mr. Rosenberg was the head of a Section of the Credit Office of the Ministry of Finance and was in charge of the supervision of enemy commerce and industry in Russia during the War. His information therefore is to be relied upon; *cf. Der Wirtschaftskrieg, herausgegeben vom Königlichen Institut für Seeverkehr und Weltwirtschaft an der Universität Kiel*, Part II, *Russland*, published by Adolf von Vogel, Jena, 1918, pp. 56 *sqq.*

erty in Russia, and I have shown that the forced closure of enemy undertakings was originally considered by the Russian Government to be dangerous from the viewpoint of Russian national economy. If, in spite of these doubts, it ordered the closing of commercial establishments, one must assume that within certain limits the policy of liquidation was not considered injurious. However, in the course of 1915, the wave of anti-German feeling rose to such a height that the Government was unable to hold to its original position of caution, and measures against German interests went far beyond those planned in the earlier stages of the War. From the point of view of the progress of anti-German feeling the events which took place in Moscow in May 1915, the so-called "Moscow uprising" (*pogrom*) were of great significance. Under the influence of absurd rumors circulated in the city that the Germans had mined the bridges over the Moscow River, that they had poisoned the water supply, streams, and wells, which was reported to have led to numerous deaths, etc., a mob, favored by the conspicuous inactivity of the police, for two days plundered shops, broke into apartments and offices, and destroyed furniture, books, and stores wherever they suspected the presence of "Germans." At the beginning of the outbreak the crowds were satisfied with destruction, but later on came robbery and arson. The cases of assault were few, but nevertheless a number of people were roughly handled. Finally the outbreak was suppressed by the troops. Among the victims were 475 commercial firms, 207 apartments, 113 German and Austrian nationals, 489 other foreigners and Russians with foreign names, and 90 Russians with Russian names.[12]

The Moscow rebellion was a savage response to the appeal for "the liberation of Russia from degrading and ruinous economic slavery to Germany" (as a Moscow newspaper put it)[13] which for months was waged by the Russian yellow press. It is significant that the proclamation to the population, issued after the outburst, by the Governor General of Moscow, Prince Yusupov, endeavored to comfort the people of Moscow by quoting the Law of 11th Janu-

[12] Zhilkin, *Moskovski pogrom* (*The Moscow Uprising*), in *Vestnik Evropi*, 1915, September, p. 299; Kuzmin-Karavaev, *Voprosi Vnutrennoi Zhisni* (*Internal Problems*), *ibid.*, 1915, July, pp. 384 *sqq.*

[13] *Golos Moskvi*, quoted in the review of the press in *Promishlennost i Torgovlya*, 1915, no. 5, p. 245.

ary 1915. "The question that the people of Moscow have so much to heart," says the proclamation, "has been fully settled by the Law which will become operative on 1st July . . . This enactment will be enforced in Moscow without allowance or mercy for the nationals of enemy powers" (10th June 1915).[14] Confronted with such popular feeling, which as we have seen was voiced even in the official pronouncements of local authorities, the Russian Government did not find the courage to defend its original negative position toward measures of economic war against enemy nationals and enemy interests in Russia.

Contrary to the statement made by Prince Yusupov in his proclamation to the people of Moscow, the Law of 11th January, as we know, was applicable to only a narrow category of enemy firms. First, in dealing with establishments owned by joint-stock companies, the most important undertakings, it invoked the principle of their constitutional charters and recognized as enemy only those companies which were chartered under the laws of an enemy country, and secondly, it ordered the closure of commercial undertakings only, and then only such of them as were not connected with industrial undertakings. Under the pressure of public opinion, however, the Government extended the operation of the liquidation of enemy firms beyond the limits originally established.

I shall begin with non-commercial establishments. Article III of the Law of 11th January 1915, discussed above, reads as follows: "Trade licenses for the operation in 1915 of industrial undertakings may be issued to nationals of powers with which Russia is at war, as well as to representatives of partnerships with or without limited liability which include enemy nationals among the partners, and to representatives of companies subject to public audit and to institutions chartered under the law of countries with which Russia is at war and duly admitted to operation in Russia,—provided that the aforesaid individuals, partnerships, companies, and institutions were carrying on such business in 1914. The following conditions shall be observed in issuing trade licenses: (a) in order to obtain a trade license for the operation of an industrial establishment the representatives and persons enumerated in this Article shall present to the officials issuing trade licenses their licenses for the year 1914

[14] Quoted by Kuzmin-Karavaev, *op. cit.*, p. 384.

issued in the name of the same individual, partnership, company, or institution; (b) industrial establishments owned by the individuals, partnerships, companies, or institutions listed in this Article shall pay the state tax on commerce and industry, the principal tax as well as the supplementary tax, at double the rate of that established for the year 1915; (c) the employment of commercial travelers shall be permitted only to those industrial establishments owned by individuals, partnerships, companies, or institutions listed in this Article which obtain trade licenses for the year 1915 on the payment of a fee of not less than 500 rubles; (d) in the case of the publication in 1915 of further enactments restricting the operation of industrial establishments by persons, partnerships, companies, and institutions enumerated in this Article, the aforesaid individuals, partnerships, companies, or institutions shall be subject to all such restrictions; on application, however, they may obtain a refund of the sum paid by them on account of the tax on commerce and industry, the amount of the refund being calculated with reference to the length of time they have been allowed to operate." The contents of this, at first sight, rather involved provision may be reduced to the principle *a contrario*, that enemy undertakings owned by *natural* and *juristic* persons may continue to carry on their business in Russia on the payment of a double tax on commerce and industry. The paragraph of the article, however, contained a menace: it covered a situation which might arise "in case of publication of further enactments restricting the operation of establishments," but gave no information as to what those restrictions might be.

In spite of this warning, enemy industrial undertakings operated unhampered through the whole of 1915, but when the time came to exchange trade licenses for the new year, 1916, the whole question of their fate was again raised and was decided in the same sense as that of commercial establishments in 1915, that is, in the sense of their liquidation. None of the motives which induced the Government to abstain from this measure at the time of the enactment of the Law of 11th January 1915 had been removed; on the contrary, the importance of not interfering with the economic life of the country could only increase during the War. Political considerations, however, proved stronger than mere economic argument.

The general plan of the Law of 17th December 1915[15] relating

[15] *Sobranie Uzakoneni*, 1916, Art. 3.

to the closing of industrial establishments was the same as that of the Law of 11th January 1915 dealing with the liquidation of commercial firms. The same categories of establishments were considered as belonging to the enemy, that is, those owned separately or jointly by enemy nationals, by partnerships which included enemy nationals among their members, and lastly, by joint-stock companies incorporated under the laws of an enemy country. Section I of the Law of 17th December reads as follows: "Trade licenses for the operation of industrial establishments shall not be issued to nationals of countries with which Russia is at war, whether full or part owners of such establishments; or to the representatives of partnerships with or without limited liability, if any of the partners are nationals of such states; or to the representatives of companies or institutions subject to public audit, incorporated under the law of a country with which Russia is at war, and duly authorized to operate in Russia." The Law provided for the liquidation of such establishments. "Industrial establishments," reads Section II of the Law of 17th December, "owned in whole or in part by individuals, partnerships, companies, or institutions listed in Section I of this Law shall be closed and placed under liquidation proceedings as from 1st January 1916 in accordance with the rules laid down in the decisions of the Council of Ministers sanctioned by His Majesty on 10th May (Section II) and 23rd September 1915.[16] For which reason the list of enemy industrial establishments subject to closure and liquidation shall be presented by the respective local departments of the Treasury to the Regional Law Courts within one month after the publication of the law."

In spite of the common scheme of measures dealing with enemy commercial and industrial establishments, the two Laws differed from one another on a technical point which, though it might easily pass unnoticed, constituted a substantial difference. We know that in liquidating commercial establishments it was especially provided that the withdrawal of enemy nationals from the ownership of the establishment within the first months after the publication of the Law rehabilitated the establishment, so to speak, and saved it from liquidation; this right was confirmed by the Ordinance of the Minis-

[16] *Ibid.*, 1915, Arts. 1113 and 2003; the second of these enactments (the Law of 23rd September 1915) granted an extension of time to foreign creditors.

ter of Finance of 16th March 1915 and by Section I of the Law of 10th May 1915. This time, however, the legislator followed a different routine. From the wording of Section II of the Law of 17th December 1915 it appears that it carefully avoided all reference to Section I of the Law of 10th May 1915 relating to liquidation, that is, to the very section which laid down the regulation that liquidation should not take place in case of the withdrawal of enemy partners or associates. If, therefore, at the time of the publication of the Law of 17th December (that is, on 1st January 1916) an industrial establishment had enemy nationals as partners or associates, there was no escape from the application of the general regulation as to liquidation proceedings.

The greater severity of the measure of 17th December 1915, however, was redeemed by numerous and important exceptions made in favor of enemy industrial establishments otherwise subject to liquidation. These exceptions were due to the desire to preserve the establishments which were needed for safeguarding the national economic organization of Russia and for national defense. If for political considerations the Government did not dare to adhere to its original judgment as to the ruinous effect of a policy enforcing liquidation of enemy industries, it could not, nevertheless, take the responsibility for the wholesale application of such measures. Section III of the Law of 17th December 1915 provided, therefore, that its operation should not extend to "those of the enemy industrial establishments which (a) are working for national defense as contractors for the Crown, the Unions of Zemstvos and Towns, and the war industries committees; (b) are taken over and administered by the Government in accordance with special regulations (*Sobranie Uzakoneni*, 1915, Art. 1609); or (c) are under sequestration, with the exception, however, of such cases where the government officials in charge shall demand that they be brought under the ruling of Sections I and II of this Law."[17] The Law of 17th December 1915,

[17] I shall mention one other exception laid down in Section III: establishments owned by enemy nationals of Slavonic, French, and Italian origin, as well as by Turkish and Bulgarian nationals belonging to Christian denominations, who had been authorized to continue their residence and to carry on their business. Similar exemption was made in favor of commercial establishments. Decision of the Council of Ministers sanctioned by His Majesty on 8th March 1915. (*Sobranie Uzakoneni*, 1915, Art. 757.)

therefore, did not order the liquidation of industrial establishments which were essential to national economy, which for that reason had been taken under government control. It is true that there was an exception to the exceptions laid down by the Law of 17th December 1917: it allowed Government Departments to request the liquidation of certain establishments which in principle were exempt from it; nevertheless the exceptions provided for by the Law were of the greatest importance.

4. *Development of the policy of liquidation.*

A characteristic feature of all enactments relating to the liquidation of enemy commercial and industrial establishments in Russia, at least as they were originally planned and applied in practice, was the considerable amount of freedom allowed to the owners of such establishments, whether persons or corporations, in carrying out liquidation proceedings. This freedom found its expression in the permission to transfer ownership and in the turning over of establishments to private receivers for the purpose of winding them up. Gradually, however, with the development of the policy of economic war, this attitude underwent considerable change.

To begin with, there arose a suspicion of the good faith of the transfers. This led to the publication of the Law of 2nd January 1916 "on measures for the prevention of the evasion by enemy nationals of restrictive measures relating to the operation of commercial and industrial establishments." Under this law all contracts and agreements entered into after 11th January 1915 with enemy nationals (full or joint owners, partnerships with or without limited liability, and joint-stock companies incorporated under the law of an enemy country) and dealing with the transfer of such establishments to Russians or to nationals of neutral or allied countries, shall remain in abeyance. "If," says Article 2 of the Law, "the aforesaid contracts and agreements shall be carried out by a fictitious transfer of ownership for the purpose of avoiding the application of the decisions of the Council of Ministers sanctioned by His Majesty on 11th January, 29th March, 10th May, and 17th December 1915, then the commercial and industrial establishments referred to in the aforesaid contracts and agreements may, on application, be declared by the Courts as being within the scope of the aforesaid enactments."

The Treasury and the parties to the transfer shall appear as plaintiff and defendants, respectively, in the trial for illegal transfer. The enactment contains no provision as to the principles the Court should follow in such cases: it was to decide "on its own conviction, arrived at after the consideration of all the facts of the case" (Article 4).

The intention of this enactment seems clear: by challenging fictitious transfers, establishments owned by enemy nationals were to be brought into liquidation through the usual channels and the process of liquidation itself would therefore become more intensive. Subsequent enactments, however, pursued a contrary aim and slowed down the process of liquidation, at least as far as industrial establishments were concerned. This was effected by the following method. I have already stated that in virtue of the Law of 10th May 1915, which originated liquidation proceedings, the supervision of the proceedings themselves was entrusted to inspectors appointed by the Government for each establishment under receivership. Article 9 of this Law provided as follows: "The supervision of the liquidation of establishments may be entrusted to government inspectors by the Minister of Finance, acting in concert with the Minister of Commerce and Industry. The rights and duties of these inspectors shall be defined by a special instruction which shall be confirmed, and may be amended, by the Minister of Finance (with the consent of the Minister of Commerce and Industry)." When this instruction was published it appeared that government inspectors not only had charge of the supervision of the liquidation proceedings, but also had unrestricted power in handling them. Article 4 of the Rules relating to the supervision of the liquidation of commercial undertakings, sanctioned by the Minister of Finance on 4th July 1915,[18] reads as follows: "It shall be the duty of government inspectors in charge of the supervision of the liquidation of commercial establishments to make sure that any orders and measures taken by the receivers are not contrary to public interest, and especially that the liquidation shall be made in good faith and shall be completed within the time provided by law (one year). Furthermore all decisions made by the receivers shall be submitted to government inspectors

[18] *Sobranie Uzakoneni,* Art. 1547. The Rules deal with the liquidation of *commercial* establishments only, because the question of the liquidation of industrial establishments was not yet decided at the time of their publication.

before they are put into operation, and the inspector shall have the power to suspend within seven days any decision of the receivers which he deems injurious or dangerous to the State. The inspector, in order to receive his instructions, shall immediately report any such cases, if necessary by telegraph, together with the receiver's explanation, if any, to the Minister of Finance and the Minister of Commerce and Industry. Any decision of the receiver not vetoed by the inspector within seven days, shall be considered to be confirmed by him." In connection with this provision I should like to draw the reader's attention to the fact that it was the duty of the inspector to detect "fictitious transfers." The subsequent instruction (*Nakaz*) to government inspectors of 30th March 1916[19] further increased their powers in this respect, so that in practice the initiative in starting legal proceedings on the ground of a fictitious transfer of commercial establishments was concentrated in the hands of the inspectors.[20] Taking into consideration the very wide powers of the inspectors (and of the Government which was behind them) of dealing with the liquidation of establishments owned by enemy nationals, we may see that the whole problem was shifted from the sphere of legal action and the influence of the parties immediately concerned, into that of the arbitrary judgment of the Government, ruled by considerations of "state interest and national defense." These considerations might speed up the process of liquidation, or, on the contrary, might slow it down, or again might adapt it to the requirements of the war-time economic policy of the Government.

I have already pointed out that in 1915 the liquidation of commercial establishments proceeded according to routine and the Government did not interfere with it. On the contrary, the idea that liquidation should be controlled by principles of expediency, which inspired the enactments discussed above, became predominant in the application of the Law of 17th December 1915 relating to the liquidation of industrial establishments. Receivers were vested with new powers which gave their activities an entirely new setting. On 1st October 1916 a law was published "on certain amendments to the

[19] *Ukazatel Pravitelstvennikh Rasporyazheni po Ministerstvu Finansov i Ministerstvu Torgovli i Promishlennosti,* 1916, no. 17, p. 297.

[20] A. V., *Zakonodatelstvo o predpryatyakh nepryatelskikh poddannikh* (*Legislation on Establishments Owned by Enemy Nationals*), in *Vestnik Finansov, Promishlennosti i Torgovli,* 1917, no. 10, p. 461.

decisions of the Council of Ministers sanctioned by His Majesty on 10th May and 17th December 1915 and relating to the liquidation of commercial and industrial establishments owned by enemy nationals."[21] Article 2 of the Law provided as follows: "The receivers carrying out the liquidation of commercial and industrial establishments in accordance with the provisions of the decisions of the Council of Ministers sanctioned by His Majesty on 10th May and 23rd September 1915 . . . until they succeed in finding a purchaser for the establishment, in whole or in part, shall continue to operate such establishment, performing all duties necessary therefor, and shall appear as plaintiff or defendent in actions brought by or against such establishment. If it should prove impossible to sell the establishment while in operation, they shall on the completion of the work in hand, realize the assets of the establishment, safeguarding the interests of the same. The liquidation of an undertaking working for national defense shall not begin until all the orders contracted for have been completed."

This enactment materially changed the whole question of the liquidation of industrial establishments owned by enemy nationals. The Government abandoned the policy of scrapping them. It exercised pressure in order to bring about the transfer of the establishments in whole or in part to new owners, while the establishments were still in operation. In all cases where this proved impracticable, the establishment continued to operate under the management of receivers controlled by government inspectors. Thus under the necessity of mobilizing Russian industry, liquidation as prescribed by law became the exception.

Such was the ultimate result of the war declared on enemy industrial establishments: the desire to conserve them in the hands of new owners, or to put them in the control of the Government under the disguise of receivership.

5. *Joint-stock companies representing enemy interests* (Laws of 1st July 1915 and 23rd October 1916).

We have already seen that the enactments relating to the liquidation of commercial and industrial establishments applied only to those joint-stock companies which "were incorporated under the laws

[21] *Sobranie Uzakoneni*, 1916, Art. 2218.

of an enemy country and had been duly allowed to operate in Russia." As I have pointed out, the standard used in identifying enemy joint-stock companies was purely formal. For one thing it did not take into account the numerous joint-stock companies financed by enemy capital which were incorporated under the Russian law. Naturally this was a problem which during the War, and later during peace proceedings, occupied the attention of legislators in other countries also: whether the formal standard should not be discarded altogether and some material characteristics of enemy joint-stock companies substituted for it. From the point of view of the "struggle against the German yoke" this problem was of prime importance, since the most powerful organizations controlled by the enemy were in the form of joint-stock companies, and especially such companies incorporated under the Russian law.

As in the other questions of economic war, the idea of extending the measures of liquidation and compulsory administration to joint-stock companies incorporated under the Russian law, but controlled by enemy capital, was suggested to the Russian Government by public opinion by means of a campaign against the position held by the enemy in Russian industry conducted by the press and various organizations.

Public interest in this problem rather unexpectedly concentrated on one large joint-stock company well known in the two capitals of Russia,—the General Electric Company of 1886, a large concessionaire of Petrograd and Moscow. The municipality of Moscow was the first to denounce this company and to call for its liquidation and for the appointment of a new administrator. This campaign of Moscow, supported by the press, produced a strong effect upon the Government, and early in 1915 the Committee of Senator Ilyashenko, whose part in war-time legislation is already familiar to us and with which we shall have to deal again later, prepared a plan for the liquidation of this company. On 24th February 1915 it was sanctioned by the Council of Ministers. Its operation, however, was suspended as a result of the interference of neutral shareholders. It transpired that in spite of the general belief that the company was controlled by German capital, its shares had changed hands before the War, with the result that the majority of shares was controlled by nationals of Switzerland. The company succeeded in proving that out of the total number of 100,000 shares, 59,772 were held by the

latter, and no more than 38,000 by Germans.[22] After protracted delays the project of Senator Ilyashenko's Committee was adopted, but as a general measure only, without immediate bearing on the future of the General Electric Company of 1886. This measure took the form of a decision of the Council of Ministers sanctioned by His Majesty on 1st July 1915 "relating to the vesting of the Council of Ministers with certain powers to deal with joint-stock companies incorporated under the law of the Empire."[23] It provided as follows. When joint-stock companies incorporated under the Russian law were controlled by enemy nationals or companies, and when their activities were deemed injurious to public interests, the Council of Ministers was empowered: "(1) to order the closure of such companies with the appointment of receivers for carrying out the work of liquidation; or (2) to appoint provisional administrators of such companies without ordering their liquidation."

The Law of 1st July 1915 was merely a general menace to joint-stock companies controlled by the enemy but incorporated under the Russian law. It said nothing as to how the Council of Ministers should use its new powers, nor did it contain provisions as to the future of the General Electric Company of 1886, which, as we are aware, was the immediate cause of the publication of the Law of 1st July 1915. Its practical application through the liquidation of Russian joint-stock companies controlled by the enemy or the appointment of administrators met with considerable difficulties. I have pointed out in Chapter I that as early as October and November 1914 the Council of Ministers decided in favor of an investigation of enemy undertakings. The Imperial Order of 3rd December 1914 based on these decisions of the Council of Ministers created a committee attached to the Ministry of Commerce and Industry to deal with this matter. By the end of 1915 the committee carried out the investigation of some 2,000 establishments. The participation of enemy capital could be traced in only 364 cases.[24] But the

[22] Memorandum (*Zapiska*) of Swiss shareholders of the Company of 1886 in Appendix to *Promishlennost i Torgovlya,* 1915, no. 6; *cf. ibid.,* 1915, no. 5, p. 263.

[23] *Sobranie Uzakoneni,* 1915, Art. 1609.

[24] J. N., *Deyatelnost Ministerstva Torgovli i Promishlennosti v 1915 godu* (*The Ministry of Commerce and Industry in 1915*), in *Promishlennost i Torgovlya,* 1915, no. 1, pp. 8 *sqq.*

mere fact of the participation of enemy capital did not necessarily imply that each of the 364 establishments "was actually controlled by enemy nationals," within the meaning of the Law of 1st July 1915. On the contrary, there were a large number of instances similar to that discovered in the General Electric Company of 1886 where allied, neutral, and Russian capital existed side by side with German capital. This made impossible the indiscriminate application of the measures provided by the Law of 1st July 1915. For that reason in a number of cases the liquidation of companies could not be enforced, and we shall see that the Russian Government was soon compelled to look for other weapons in its struggle against the participation of enemy interests in joint-stock companies chartered under the Russian law.

Of the two measures which the law empowered the Council of Ministers to use, the second one alone proved practicable: the appointment of provisional administrators; and in general this was employed. This measure was suggested not only because of the difficulty of liquidating joint-stock companies with a mixed body of shareholders, but also because of the general tendency, which we have observed in the development of the struggle against enemy undertakings, to substitute for liquidation proceedings compulsory administration in all cases where it was considered possible to bring about the transfer of the undertaking as a whole or in part, while still in operation.

A series of measures against joint-stock companies incorporated under the law of an enemy country is very typical of the general policy of substituting compulsory administration for liquidation. Such joint-stock companies came within the operation of the Laws of 11th January and 17th December 1915 and it seemed as if no further interference of the legislature was needed in order to deal with them. Nevertheless, a number of them were excepted by the Government from the general fate of such companies and they were dealt with separately. Some of these decisions took the form of a withdrawal of the right of operating in Russia. In order to understand this measure one should know that under the Russian law all foreign organizations desiring to operate in Russia must obtain permission from the Russian Government. It was the practice to attach various conditions to the granting of licenses for such operation, one being that the Russian Government had the right to withdraw

the license at any time, and another that the company was subject to the existing Russian law or to such law as might later be enacted, in all questions relating to the suspension of its activities. Taking advantage of these provisions, in 1916 the Council of Ministers canceled a number of licenses granted to enemy companies for the carrying on of their business.[25] Side by side with such special decisions dealing with a number of large enemy joint-stock companies, the Council of Ministers appointed "provisional administrators" (occasionally described as "liquidation committees") for the management of the Russian branches of such companies until their liquidation or the transfer of the assets of the company as a whole or in part.[26]

The policy of appointing administrators for the management of enemy joint-stock companies was consolidated in the Law of 23rd October 1916, which added to the Law of 1st June 1915, with which we are already familiar, the following provision: "In the case of joint-stock companies operating within the Empire and incorporated under the law of a foreign country (not necessarily an enemy country) the Council of Ministers is empowered under conditions set forth in Section II of this law (that is in case of the actual management of the company by an enemy national) to institute special procedure for the administration and liquidation of the branches of such companies operating in Russia."[27]

This practically summarizes the war-time legislation relating to all enemy commercial and industrial undertakings which is of interest from the point of view of national economy and national defense,—the appointment of administrators and receivers only in cases where the transfer of an undertaking while in operation proved impracticable.

[25] *Cf.* Decision of the Council of Ministers of 24th May 1916 relating to eleven German joint-stock companies, published in *Sobranie Uzakoneni*, 1915, Part II, no. 87. Von Vogel, *Wirtschaftskrieg*, pp. 81 *sqq.*, probably did not know these enactments, hence his statement that the measures taken were devoid of a legal foundation.

[26] Such were the decisions of the Council of Ministers of 24th May and 7th June 1916 relating to eleven German joint-stock companies (*Gewerkschaft Deutscher Kaiser, Badische Anilin-und-Soda Fabrik, Aktiengesellschaft vereinigte chemische Fabriken; S. T. Morosoff, Krell, Offmann, Russische Eisenindustrie Aktiengesellschaft, Elektrische Aktiengesellschaft vorm. Lahmeijer und Co.*, and others).

[27] *Ukazatel Pravitelstvennikh Rasporyazheni po Ministerstvu Finansov i Ministerstvu Torgovli i Promishlennosti*, 1916, no. 45, p. 745.

6. *Compulsory sale of shares held by enemy nationals and firms.*

Though law after law was passed relating to the compulsory liquidation and closure of commercial establishments owned by enemy nationals, or the appointment of persons to administer them, the Russian Government was at a loss to find an adequate solution for the problem with which it was concerned from the opening months of the War: the elimination of enemy influence in the economic life of the country, especially when action was necessary in the case of companies controlled by a combination of enemy and non-enemy interests. "Freedom from the German yoke" viewed from this angle was indeed a formidable task. We have already seen that as a result of the Laws of 11th January, 1st July, and 17th December 1915, and of 23rd October 1916, the more important joint-stock companies, where the participation of enemy and non-enemy interests had been detected, were operating under a régime of compulsory administration, that is, in practice they continued to carry on their business in the interest of their shareholders even if they were enemy nationals. In the meantime, an influential section of public opinion continued to insist on the complete elimination of enemy interests from any participation in the economic life of the country. After long hesitation the Russian Government early in 1917 decided on a measure which it believed would settle the problem of such mixed undertakings. This measure was the compulsory sale of shares held by enemy nationals.

The indecision of the Government was only too well justified. When the report first appeared in the press that the Ministry of Commerce and Industry was preparing a bill on the alienation of shares held by enemy nationals, some of the more influential associations of trade and industry protested. They pointed out that the forced sale of a portion of the stock of joint-stock companies would have an unfavorable effect upon the Stock Exchange, and that as a result of the compulsory alienation of stock held by enemy nationals large sums of money produced by the sale of shares would accumulate to their credit and would flood Russia at the conclusion of peace; that it was dangerous from the viewpoint of the economic interests of Russia to allow the Treasury, as was suggested in the project of the Ministry of Commerce and Industry, to purchase the alienated stock, etc. These objections carried considerable weight. On the other hand, the technical side of the compulsory sale of stock

presented certain difficulties. In the large majority of cases the stock certificates of Russian joint-stock companies were made out to bearer and it was therefore extremely difficult to ascertain who was their real owner and no less difficult to withdraw from circulation the shares which were to be purchased from their late holders under compulsion.[28]

Nevertheless the law was enacted; it is true that it cut across the problem rather than definitely settled it. The contents of this law, the decision of the Council of Ministers sanctioned by His Majesty on 8th February 1917 "conferring on the Council of Ministers special powers for dealing with joint-stock companies incorporated under the law of the Empire,"[29] may be summarized as follows. A procedure was created by which the certificates of shares held by enemy nationals were canceled, and in their place new certificates were issued which could be purchased only by the Treasury or by the nationals of Russia or allied and neutral countries; the money obtained by the sale of these new certificates was credited to the owners of those which were canceled. This scheme of compulsory alienation of stock is in itself simple enough, but the details of its execution might radically affect the rights of ownership of former holders, which rights, one may assume, were not denied in principle. To begin with, how could stock held by the enemy be recognized? The question was decided by following certain rules and presumptions. Article 1 of Section I provided that: "The following shall be considered to be held by enemy nationals: (a) shares declared to be so held in accordance with the provisions of the decision of the Council of Ministers sanctioned by His Majesty on 13th May 1916, relating to the registration of enemy property by a Special Committee (*Sobranie Uzakoneni*, Article 999); (b) registered shares which are entered in the books of the company as belonging on 19th July 1914 to enemy nationals, partnerships, companies, and institutions; (c) shares to bearer produced by enemy nationals, partnerships, companies, and institutions at the last meeting of shareholders held

[28] Memorandum (*Dokladnaya Zapiska*) of the Permanent Council of Industry and Commerce, reported in *Promishlennost i Torgovlya*, no. 6, 11th February 1917, p. 146; *cf.* unsigned article *Likvidazya nepryatelskago vladenya russkimi aktsyami* (*Liquidation of Shares held by Enemy Nationals*), *ibid.*, 1917, no. 5, p. 105.

[29] *Sobranie Uzakoneni*, 1917, p. 216.

previous to the War; and (d) shares which may be declared by the board of management of the company to belong to enemy nationals."

None of the regulations laid down in this Article was precise or clearly defined. Let us take the one which seems to be less ambiguous: registered shares. The nationality of shareholders did not appear in the books of the Russian joint-stock companies, and the boards of management of the companies, confronted with the demands of the Law of 8th February, were compelled to decide the nationality of the shareholder largely by guess. But this was a mere trifle as compared with the regulations relating to shares made out to bearer. To begin with, the mere fact of a declaration filed with the "committee for registering enemy property" was, of course, no guarantee. This Committee was not a Court of Law; it was not competent to pass judgment on legal questions, but was merely a part of the administrative machinery fulfilling the modest function of registering enemy property within Russian territory. Furthermore, did the fact that a share had been presented by an enemy national at the last meeting of shareholders prior to the War prove that it was still the property of an enemy alien? Certainly not, because immediately after the meeting it could have been transferred to a non-enemy. Nor would it have occurred to anyone prior to the War to check the nationality of shareholders at such a general meeting. Lastly, the provision which empowered the board of management to declare that a certain share was enemy property was purely arbitrary. With the help of the four inadequate regulations described above, the "Committee for the compulsory alienation of enemy stocks," created by the Law of 8th February 1917 under the auspices of the Ministry of Commerce and Industry, prepared the first list of stocks to be expropriated. This list was made public through the board of management of each joint-stock company which fell within the scope of the law, and could be contested to a certain extent by the parties concerned. "In the course of one month after the publication of the aforesaid list of shares," recites Article 4, Section I, of the Law of 8th February 1917, "the nationals of Russia and of allied and neutral countries and partnerships, companies, and institutions authorized under the law of such countries, who after the last pre-war meeting of the shareholders have purchased the shares listed in paragraphs *b* and *c* of Article 1 may make a statement to this effect supported by documentary evidence to the Committee for the com-

pulsory alienation of enemy stocks. If the evidence produced shall be considered sufficient by the Committee, such shares shall be excluded from the list of shares held by enemy nationals." Oddly enough, the checking by the Committee, which was the only guarantee of the regular operation of the whole machinery of compulsory alienation, applied to only two of the four classes under which a share could be declared to belong to an enemy. Moreover, would not a mere statement of the board of management to the "Committee for the registration of enemy property" require a careful checking? In spite of the obvious inadequacy of the control exercised by the committee, and especially of the short time limit for contesting the ownership of the shares included in the first list (one month,—too short by far if one takes into consideration the existing state of international communication), the publication of the second and final lists of enemy shares duly followed. Simultaneously with the publication of this list it was announced that the certificates of shares enumerated in the list were annulled and that new certificates, bearing the same numbers, were to be issued. At the same time, the price of the new issue was determined,—a very important question from the point of view of the expropriated shareholders. Under the Law of 8th February 1917 it was decided that "The price of the new issue of stock certificates shall be determined by the 'Committee for the compulsory alienation of enemy stocks,' based on the estimate submitted by the board of management of the joint-stock company in accordance with the last pre-war balance sheet approved by the meeting of shareholders" (Article 6, Part I). If we take into consideration the depreciation of the ruble, the rise in prices, and the favorable conditions for the development of Russian industry created by the War, it will appear that the price of issue determined by the method described above was by far lower than its real value.[30] The low-priced shares were put into circulation in Russia and became the property of Russians or non-enemy aliens. The law provided that "The Treasury may purchase the shares offered for sale at the price of issue. If the Treasury is unwilling to avail itself of this right, preference for the purchase of such shares at the price of

[30] In his work *Wirtschaftskrieg, Russland,* p. 119, von Vogel gives a table showing the growth in price of Russian joint-stock companies in 1913-1917, which demonstrates the practical effects of the method of determining the price of issue introduced by the Law of 8th February 1917.

issue shall be given to the Russian, allied, or neutral shareholders of the partnership, company, or institution, the amount purchased to be proportional to the number of shares they are now holding. If in the course of a fortnight after the day of the issue of the notice of sale they do not file application for the purchase of shares, such shares with the permission of the Committee shall be sold to outsiders by the board of management (Article 2). If the price of the share determined in accordance with the last balance sheet (Article 6) does not correspond to its real value, it may be lowered with the permission of the Committee" (Article 7, Part I). Under these provisions the Russian Treasury or Russian nationals, shareholders or not shareholders, were to realize profits at the expense of the former shareholder, presumably of enemy nationality; the other provision of the law, as to the transfer of shares to aliens, was of little practical importance. The shareholder of enemy nationality received as compensation a certain sum of rapidly depreciating rubles paid into a special fund at the State Bank or savings banks, and he ceased to have any further part in the economic life of Russia.

The law relating to the cancellation of stock certificates held by enemy nationals was published so late and came so close to the Revolution, that by the time Russia withdrew from the War it had not received wide application. The task of applying it in practice fell to the Provisional Government, the first case being that of the General Electric Company of 1886, which had so thoroughly occupied the attention of the Imperial Government. The decree of 22nd June 1917 provided that the Law of 8th February 1917 should be applied to such shares of this company as were held by enemy nationals, but with the characteristic reservation, that all such shares should be transferred to the Treasury or the cities of Petrograd or Moscow at a price calculated by the method described above.[31] The Provisional Government, however, did not succeed in remedying the most flagrant defect of the Law of 8th February 1917, namely, the sale of shares at abnormally low prices. The new method was not directed toward the safeguarding of the rights of expropriated shareholders. This resulted in the introduction in the machinery of the Law of 8th February 1917, of two prices: one, known as the price of re-issue, was determined as before in accordance with

[31] *Ukazatel Pravitelstvennikh Rasporyazheni po Ministerstvu Finansov i Ministerstvu Torgovli i Promishlennosti,* 1917, no. 31, p. 478.

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the balance sheet of 1913. But it was used only for establishing the amount that should be paid to the enemy shareholder after the sale of his shares. The transfer of the share itself was carried out at its "real value" which was determined at the meeting of shareholders of the company concerned. This price became known as the "sales price." The difference between the sales price and the price of re-issue was to be paid to the Treasury. Private individuals, therefore, lost the opportunity of increasing their wealth as a result of the rise in price of shares due to the War; instead, the surplus went to the Treasury. Such was the system of compulsory redemption of enemy shares which became operative under the decree of 7th June 1917 of the Provisional Government.[32]

It so happened that the expropriation of enemy shareholders in Russia was soon followed by a general expropriation by the Soviet Government of all shareholders without exception. A study of the effects of the Law of 8th February 1917 is therefore of but slight interest.

7. *Minor restrictive measures.*

I have described the most typical measures taken by the Russian Government in the prosecution of economic war against enemy interests in the field of commerce and industry within Russian territory. But this survey would be incomplete if I did not mention, at least briefly, some minor measures of a more private nature which were devised and applied in Russia and which were aimed at the economic strongholds of the enemy within the Empire. These minor measures differed in their provisional, transitional, and defensive character from those described in an earlier part of this chapter: they did not destroy, but merely suspended, the economic freedom of enemy nationals.

To begin with, we may here treat of the limiting of the rights of enemy nationals to take part in the economic life of Russia: their debarment from the right to serve as officers in joint-stock companies which were allowed to own real property (Law of 2nd February

[32] *Ukazatel Pravitelstvennikh Rasporyazheni,* 1917, no. 30, p. 457. For the conditions which led to these amendments, *cf. Promishlennost i Torgovlya,* 1917, nos. 14-15, pp. 288 *sqq.;* second amendment of the Law of 8th February 1917 (changes in the membership of the Committee for the compulsory alienation of enemy stocks) was enacted on 27th July 1917, *Ukazatel Pravitelstvennikh Rasporyazheni,* 1917, no. 38, p. 603.

1915); their expulsion from mutual credit associations and municipal banks; the ban on their acting as contractors for the supply of alcohol or as managers of distilleries, breweries, or as purveyors of liquors;[33] their inability to obtain patents for inventions and the expropriation by the State of existing patents (Law of 21st February 1915).

Another series of minor measures directed against enemy nationals dealt with the supervision of their undertakings. In my exposition of the chief measures of economic war I have several times taken occasion to speak about government inspectors appointed to establishments where enemy influence was suspected. This sort of government control was practised with great energy. It would be of little interest to follow its development in detail. It goes without saying that the control exercised by government inspectors was not destructive in itself, so long as the inspectors were not vested with special powers to wind up the undertaking in accordance with some special law. The normal purpose of the appointment of inspectors was described in an enactment which summed up previous experience: "It shall be the duty of a government inspector to conduct a general supervision of the operation of commercial or industrial establishments, and especially (a) he shall check the financial activities of such undertaking in order to prevent the payment or transfer, by mail or otherwise, of money or valuables to enemy institutions, companies, or partnerships situated outside Russia, or to nationals of countries with which we are at war, directly or through other individuals or institutions wherever they may be and whatever may be the legal relation between them; (b) he shall take care that the undertaking is operated efficiently for the needs of national defense, and that orders placed by the Government are in due time acceptably executed.[34] How common the practice became of appointing government inspectors may be gathered from the list of establishments where such appointments were made, as it appears in one of the enactments of 1916.[35] "The Minister of Commerce and

[33] Ordinance of the Department of Apportioned Taxes, dated 19th February 1915, no. 2424, *Ukazatel Pravitelstvennikh Rasporyazheni po Ministerstvu Finansov i Ministerstvu Torgovli i Promishlennosti,* 1915, no. 9.

[34] Instruction (*Nakaz*) for the use of government inspectors, 30th March 1916. *Uzakatel Pravitelstvennikh Rasporyazheni,* 1916, no. 17, p. 297.

[35] Decision of the Council of Ministers sanctioned by His Majesty on 16th January 1916, *Sobranie Uzakoneni,* 1916, p. 138.

Industry is hereby empowered to extend government control over (1) joint-stock companies and partnerships chartered under the law of countries with which Russia is at war and licensed to carry on their work in Russia; (2) joint-stock companies and partnerships, authorized under the Russian law, if before the War they have had among their shareholders or executives nationals of countries with which Russia is at war, or if there is any ground for doubting the good faith of the transfer of shares or powers of administration to nationals of Russia or of allied or neutral countries; (3) partnerships with or without limited liability which at the outbreak of the War had enemy nationals among their partners; (4) commercial and industrial establishments owned in whole or in part by enemy nationals; (5) commercial and industrial undertakings which, though they have no enemy nationals among their owners, partners, depositors, or shareholders, are now, or were at the outbreak of the War, in any way controlled by enemy nationals or institutions through the providing of capital or the opening of credit; (6) commercial and industrial establishments which have, or had at the outbreak of hostilities, among their owners, partners, depositors, or shareholders, persons who after the outbreak of the War abandoned their enemy nationality to become citizens of another nation; (7) commercial and industrial establishments, which before the outbreak of the War were owned in whole or in part by enemy nationals, or by firms which had among their partners or depositors nationals of countries with which Russia is at war, and which after the declaration of war have been transferred or leased to other persons or companies, irrespective of whether they continue to use the old trade name or have assumed a new one; (8) commercial and industrial establishments which now act, or acted before the War, as agents, representatives, or delegates of enemy firms; and (9) commercial and industrial undertakings about which doubts may arise as to whether they fall within the provisions of Articles 1 to 8 of this section" (Section I of the Law of 16th January 1916). It is difficult to imagine how suspicions could be further extended or the scope of the activities of inspectors amplified. It should be added that government inspectors were paid by the establishment to which they were appointed, and this may to a certain extent explain the freedom with which the power to appoint inspectors was used.

CHAPTER V

LIQUIDATION OF ENEMY OWNERSHIP OF LAND WITHIN THE EMPIRE

1. *Origins of measures directed against enemy landed property.*

Among the measures of economic war enacted by the Russian Government and directed to the limitation of enemy rights within Russian territory, the most drastic and far-reaching were without doubt those ordering the compulsory alienation of the land owned by enemy nationals.[1] This policy, like that aimed at enemy commerce and industry in Russia, was not based on any precedents in Russia's former war-time legislation and did not seek justification in international law. It was inspired by the idea that in time of war expediency is the best principle to follow when dealing with enemy private rights. One should add that under the existing circumstances the force of the campaign against enemy commerce and industry was largely nullified, as we have already seen, by the necessity for preserving in working order those enemy establishments needed for the conduct of the economic life of the nation. But when the campaign against enemy ownership of land was started, even this consideration did not bear much weight.

It is characteristic of the measures dealing with the expropriation of enemy land that their scope in the strictly juridical sense was not limited to enemy nationals and corporations. On the contrary, they were only the forerunners of a more comprehensive campaign against Russian subjects of enemy extraction, the so-called "enemy settlers" (*vikhodets*) as opposed to "enemy nationals." Thus, economic war was declared against Russian subjects, another proof of the inadequacy of its legal foundation.

I have shown in a previous chapter how the purpose of the liquidation of enemy ownership of land had developed. At the meeting of the Council of Ministers of 7th October 1914 where he opposed the confiscation of enemy capital, M. Sazonov, Minister of Foreign Affairs, recommended "measures directed towards the liquidation of

[1] *Cf.* also A. D. Bilimovich, *The Land Settlement in Russia during the War* in this series of the *Economic and Social History of the World War.*

German estates, which have assumed an alarming magnitude, especially in that part of the country adjoining the western frontier." It was stated at the same meeting that the Ministry of the Interior was already considering what could be done in the matter. The Council of Ministers endorsed the views of Sazonov and declared that "the present war presents especially favorable conditions for the decisive and final solution of this already too long delayed problem."

The slogan formulated by the Council of Ministers was rapidly taken up by public opinion, especially by the conservative section. And at once the problem was so broadened that it covered not only the rights of landowners of enemy nationality, but also the rights of settlers of German origin, a class of peasants, numerous in certain parts of the south of Russia, who, while subjects of the Russian Crown, were descendents of German immigrants who had been induced by the Russian Government years before to come to Russia. Meanwhile, the project for the liquidation of German landed property in Russia began to be identified with the problem of agrarian policy,—the transfer to peasants of Russian lineage of those lands belonging to peasants of German origin, lands whose quality and great extent caused them to be coveted by the Russian peasantry, who from time immemorial had been imbued by the wish for a compulsory redistribution of the land.

As early as November 1914 a local leader of the Ukrainian movement, Shelukhin, read a paper before the Law Society of Kiev demanding the redistribution to Russian peasants of lands belonging to German colonists. He compared the economic position of the German settlers with that of Russian peasants, pointed out the "excessive generosity of the Russian Government towards the settlers" and the privileges "which made it easy for them, by accumulating considerable wealth," to purchase land on a large scale; with the result that, for instance in the province of Kherson, two-thirds of the entire cultivated area was owned by such immigrants. From these premises Shelukhin drew the conclusion that the lands owned by the settlers should be distributed among the Russian peasants.[2]

The same opinion was expressed in the Duma when it met early

[2] The contents of M. Shelukhin's papers are given by Kuzmin-Karavaev, *Voprosi Vnutrennoi Zhizni* (*Internal Problems*), in *Vestnik Evropi*, 1914, December, p. 389.

in 1915. M. Levashev, a conservative member for Odessa, declared on 27th January that "the time has come to solve at any price the problem of alien settlers in the frontier area." He gave two reasons for such a measure. German colonies should be wiped out "for motives of national safety." At the same time, an action of this kind should be enforced in order "to meet the need in land, first, of our soldiers engaged in the heroic struggle, and, secondly, of the families of men who were killed on the battlefields."[3] Another conservative member, M. Markov (representing the province of Kursk), spoke at the session of 28th January as follows: "We must take away the land from those settlers who owe double allegiance, that is, those who took possession of Russian lands after 1870, when the law of double allegiance was passed in Germany."[4] A third speaker belonging to the same political group reproached the Government for allowing "German settlers to reside there on the very frontier, whereas the proper place for them now is Turkestan," and insinuated that "conflicting currents" were struggling in Petrograd and prevented the carrying out of the work of expropriation. (Same session.)[5]

All this furor concerning the problem of enemy landed property hastened the materialization of the idea which had been authorized by the Council of Ministers at its meeting of October 1914. Certain technical difficulties had come to light as a result of the turn given to the discussion by a section of public opinion, that is, the desire to extend measures of expropriation to the vast area of land owned by the enemy settlers. A multitude of interests were involved in the operation, which necessitated the destruction of the organic tissues of the economic system. It was not an easy task to embody in legislative definitions the war-cry of the demagogues. The autumn of 1914 and the early part of 1915 were spent in working out a scheme by means of a large committee created by the Government under the chairmanship of Senator Ilyashenko. After months of steady labor the new law was completed early in February 1915.

In order to understand its structure, one should know something of the background. Even in September 1914, before the idea of seizing the land owned by the German settlers came to a head, a law was published "On the introduction of provisional restrictions relating

[3] Quoted from the verbatim report published in the Appendix to *Morskoi Sbornik*, 1915, no. 5, p. 60.

[4] *Ibid.*, p. 97.

[5] *Ibid.*, p. 105.

to the acquisition of rights in landed property, as well as the use and administration of such property, by nationals of countries with which Russia is at war."[6] Under this law, rights already acquired were not affected; but it provided that in the future the transfer of property rights to enemy nationals was prohibited, and in addition it debarred them from the right of administering landed property in Russia. This law was very brief and contained no provisions on a number of questions of primary importance in dealing with the acquisition of land by enemy nationals. When, therefore, the problem of enemy landownership became acute, it was necessary to begin with the revision of the system of restrictions created by the Law of 22nd September 1914. This was an additional task, which explains certain parts of the law on the liquidation of enemy landownership prepared by Senator Ilyashenko's Committee. The second element in the new law, supplementing the expropriation of enemy land, was the extending of its scope to include the land of enemy settlers.

Such is the general economy of the three following laws enacted on 2nd February 1915: "On the ownership and tenure of land in the Russian Empire by nationals of Austria, Hungary, Germany and Turkey"; "On land ownership and land tenure of certain categories of immigrants from Austria, Hungary, Germany and Turkey, who are now subjects of the Russian Crown"; and "On the liquidation of land ownership and land tenure of Austrian, Hungarian, German and Turkish settlers in the frontier zone."[7]

From the point of view of the history of the economic war we are interested only in the first of the above-named enactments, and only in its first section, that part which deals with the expropriation of enemy lands. Its second part, as I have already said, dealt with the development of legal restrictions which had been originated earlier and which provided for the limitation in the future of the acquisition of property rights in Russia by the nationals of countries with which Russia was at war. It provided that such rights could not be acquired either by contract, or by inheritance (Section I, Articles 2 to 5); the restriction was then extended to cover societies and corporations incorporated under the law of an enemy country (Section

[6] Imperial Ukase of 22nd September 1914 in *Sobranie Uzakoneni*, 1914, Art. 2421.

[7] *Ibid.*, 1915, Arts. 349, 350, 351.

I, Article 8); detailed rules were laid down as to the procedure by which agreements, entered into for the purpose of avoiding the law, could be contested (Section I, Articles 9 to 14); lastly, enemy nationals were deprived of the right to occupy executive positions in societies owning landed property (Section II). But all these partial developments of the measures provided for by the Law of 22nd September 1914 are infinitely less typical of the Russian economic war than the seizure of enemy lands, which constitutes the real content of the Law of 2nd February 1915.

2. *Law of 2nd February 1915 and its fate.*

The expropriation of land prescribed by the Law of 2nd February 1915 "on land ownership and land tenure in the Russian Empire by nationals of Austria, Hungary, Germany and Turkey," applied to land situated in rural districts only—it was not operative with regard to real property in towns—and included a very extensive area, namely, the provinces of Petrograd, Esthonia, Livonia, Courland, Kovno, Grodno, Vilna, Minsk, the ten provinces of the Kingdom of Poland, the provinces of Volhynia, Podolia, Bessarabia, Kherson, Tavrida, Ekaterinoslav, the territory of the Cossacks of the Don, the whole Caucasus region, Finland, and the whole area within the jurisdiction of the Governor-General of the Amur region. In other words, the whole western and southern zone of European Russia and the Far-Eastern zone were subject to the operation of the new law. We shall see that the area where the land of the settlers was to be expropriated was differently defined. In spite of the extensive territory to which the Law of 2nd February 1915 applied, it contained provisions for its further expansion by the simplified method of decisions by the executive. A permanent interdepartmental committee was created under the auspices of the Ministry of War and the chairmanship of the Chief of the General Staff; it could advise, for "considerations of national defense," the expansion of the liquidation of enemy landed property to include territories not otherwise covered by the law; the decisions of the committee were submitted by the Minister of War to the Council of Ministers and were sanctioned by the Emperor (Sections IV and V, Articles 1 to 4).

Within this wide zone along the frontier of Russia all lands not situated in urban settlements and held in ownership in virtue of the

chinshevoe law, leased in perpetuity,[8] or leased for building purposes for a long term of years[9] by nationals of Austria, Hungary, Germany and Turkey, as well as by societies and corporations incorporated under the laws of those countries, and by partnerships with or without limited liability authorized under the Russian law but having among their general partners or limited partners nationals of Austria, Hungary, Germany or Turkey, were to be registered by local administrative officers, and a list of such estates was to be issued within two months after the publication of the Law of 2nd February 1915. Within one month after the publication of the list objections could be made to the Senate, but the process of the law could not be suspended while the complaint was being considered, unless ordered by the Senate.[10] Irrespective of the amendment of the list resulting from objections, local officers had the power to revise and complete it, "if they discovered that omissions had been made."

Within six months after the publication of the list by the local authorities, the owners and tenants of estates included in the lists had the right to transfer them by voluntary agreement (but, of course, not to persons belonging in the same category). Estates not transferred in this manner within six months were sold at public auction by the local authorities (Section IV, Articles 1 to 5).

Such, in its original form, was the plan for the compulsory liquidation of enemy real property in Russia. It was to be carried out with almost incredible speed: two months for the preparation of the lists, six months for voluntary transfer or, at the end of this period, sale by public auction.

A number of circumstances, however, prevented the carrying out of this plan in this short time. The first of them was provided by the

[8] Leases in perpetuity and the *chinshevoe* law (from the Latin *census*) created hereditary rights to the use of land subject to the payment of an annual rent to the owner of the land, the amount of the rent being determined in the former case by its revenue, while in the latter case the amount was a fixed one. Leases in perpetuity were operative in the Baltic provinces of Russia; the *chinshevoe* law was operative in the western provinces and in Russian Poland. The *chinshevoe* law corresponds to the *emphyteusis* of the Roman law, while leases in perpetuity differ from it in the dependence of the rent due on the revenue of the estate.

[9] Corresponding to the *superficies* of the Roman law.

[10] The Supreme Court of Russia.

law itself and was so striking that it could hardly be overlooked: "In the areas where the immediate enforcement of this Act shall prove impossible in war-time," reads Section IV, Article 10, "the date from which the term of months provided for by Articles 3 to 5 of this Section shall run, shall be decided by the Ministry of the Interior . . . in agreement with the local military authorities."

Secondly, as I have already stated, the expropriation of enemy nationals was complicated by the problem of the expropriation of enemy settlers. Far-reaching measures directed to the liquidation of land property of the so-called "settlers" were provided by the two other Laws of 2nd February 1915 "On land ownership and land tenure by certain categories of immigrants from Austria, Hungary, Germany and Turkey who are now subjects of the Russian Crown," and "On the liquidation of land ownership and land tenure of Austrian, Hungarian, German and Turkish settlers in the frontier zone." They affected an area of millions of deciatines. Originally the territorial scope of this measure differed from that of the law regarding enemy landownership: it was to be applied within a zone varying from one hundred to one hundred and fifty versts[11] wide along the western frontier of Russia. The area of its application was considerable and the machinery of expropriation, which was similar to that adopted for the expropriation of enemy lands, was extremely complicated, if only in its technicalities. In the case of enemy settlers the Law of 2nd February provided a longer period than that allowed for the liquidation of land belonging to enemy nationals. Nevertheless, the local authorities in the zone adjoining the front were burdened with a tremendous amount of work of the most urgent nature. Delays in carrying this through led to further delays in terminating enemy ownership in land.

Thirdly, the momentous shifting of real property which was bound to follow the enforcement of the three Laws of 2nd February 1915, though following the letter of the law, pursued no definite purpose. Under the Laws of 2nd February 1915 the authorities did not know and did not care to know to whom the land of enemy nationals, and especially that of enemy settlers, was transferred. However, the proceedings themselves were so important that the practical agrarian and political issues raised by them could not fail to attract the attention of the public and of the Government.

[11] One verst equals 0.66 mile.

During the months immediately following the publication of the law with regard to German landownership, the objection to the lack of a definite constructive purpose with regard to the policy governing liquidation was formulated by members of the Government as well as in the press. M. Krivoshein, head of the Department of Agriculture and Land Settlement, drafted a memorandum in which he suggested that the purchase of alienated lands should be concentrated in the hands of the Peasants Bank, which, it will be recalled, followed the policy of increasing the allotments of Russian farmers with small holdings. Even in the liberal press, which was rather hostile to the laws relating to German landownership, the principle of the agrarian and political importance of these measures was forcibly advanced. M. Arseniev, in an article published in April 1915, points out that the principal defect in the law "is undoubtedly the absence of special provisions regarding those entitled to purchase the alienated land." "Nothing has been effected in the regulations of 2nd February," writes M. Arseniev, "to bring about the concentration of alienated land in the hands of those social groups which particularly need it and which will make the best use of it in their own interest, as well as in that of the State; such would be landless peasants and peasants with small holdings, and especially those who are immediately affected by the present war."[12]

Fourth and last, the Law of 2nd February 1915 was a hasty compilation which left unanswered a number of minor questions connected with the tremendous operation of the mobilization of land made available by the law, especially with reference to settlers' land.

As a result of all these causes, the Laws of 2nd February necessitated further intensive and protracted legislation which was carried on by the Russian Government in 1915, 1916, and the beginning of 1917: the altering, amending, and interpreting of the original Acts. The practical application of the measures of 2nd February 1915 was greatly delayed. We shall see how modest were the results of these measures.

3. *Further development of the policy of liquidation.*

I do not propose to give a detailed account of the following legislation dealing with the liquidation of land held by the settlers, as it

[12] K. Arseniev, *Na temi dnya* (*Problems of the Day*), in *Vestnik Evropi*, April 1915, pp. 342-343.

does not immediately concern economic war, but shall limit myself simply to those enactments published in pursuance and amendment of the policy laid down by the Laws of 2nd February 1915 which affected the property rights of nationals of countries with which Russia was at war.

The first purpose of the legislator seemed to be the desire to adapt the liquidation of enemy lands, as well as those owned by enemy "settlers," to the demands of the agrarian policy suggested by the debates in the Duma in January 1915, by the Memorandum of M. Krivoshein, and the criticism in the press of the Law of 1915. As early as 1st May 1915 this desire led to the publication of a law which gave the Peasants Bank an important part in the enforcement of the liquidation of enemy landed property. According to its charter the principal function of the Peasants Bank in Russia is the assisting of the peasant to purchase land. The Law of 1st May 1915 authorized the Peasants Bank to purchase land and agricultural estates belonging to nationals of Austria, Hungary, Germany, and Turkey, as well as that belonging to enemy settlers, at that time subjects of the Russian Crown.[13] But the authorization to the Peasants Bank to act as a free purchaser of land owned by enemy nationals and settlers was soon seen to be insufficient from the point of view of Russian law. It was then decided that the Peasants Bank must be the privileged purchaser of the reserves of expropriated land. In order to effect this, a voluminous Act was prepared and sanctioned on 13th December 1915 which materially altered the whole machinery of liquidation.[14] Confirming the right of the Peasants Bank to purchase alienated lands, this enactment ordered the *chief notaries*[15] to inform the Peasants Bank of all deeds relating to the transfer of lands owned by enemy nationals (and settlers) submitted for their approval. The Bank was empowered to purchase all such estates. As a general rule, the price paid by the Bank was the one which appeared in the deed irrespective of whether or not the transfer resulted from agreement or sale by auction. The Act provided, how-

[13] *Sobranie Uzakoneni*, 1915, Art. 1116.

[14] *Ibid.*, 1915, Art. 2749, "On certain amendments of the laws of 2nd February 1915 on land ownership and land tenure of nationals of countries with which Russia is at war, as well as of Austrian, Hungarian and German settlers."

[15] *Starshi notarius*, an official who, under Russian law, registered all transfers of land.

ever, that, "if the price stated in the deed was obviously above the value of the property," the Bank was entitled to purchase it at its appraised value, the appraisal being made by the local agent of the Peasants Bank. The owners and purchasers of the property could bring a protest against this valuation, but the final decision remained with the management of the Bank in Petrograd (Section G, I, Articles 1-3, 5, 6).

The Russian Government, by making the Peasants Bank a privileged purchaser of lands alienated under the Laws of 2nd February and 13th December, naturally had to devise some method by which the Bank could pay the former owners. The financial provisions for this purpose in the Law of 13th December were as follows. The Bank paid for its purchases, not in cash, since the large scale of operations would necessitate a loan and thus, indirectly, cause further inflation, but by registered 4½ per cent bonds redeemable in twenty-five years (Section G, II).

The Law of 13th December, entrusting the Peasants Bank with the purchase of land owned by enemy nationals and settlers, had also to provide for the mortgages which might be held on such property. In order to facilitate this task of the Bank the law contained the two following provisions. First, all mortgages and other obligations incurred after 1st November 1914 were declared not binding on the purchaser of the property if sold at public auction, or on the Peasants Bank irrespective of the manner in which it purchased the property (Section A, IV, Article 8); secondly, all mortgages incurred before 1st November 1914 were paid off by means of the same sort of registered 4½ per cent bonds which were used to pay off the former owners (Section G, II).

Such were the fundamental provisions of the Law of 13th December 1915: enemy nationals were to be expropriated in favor of Russian peasants. The Act added a number of details which had been overlooked by the Laws of 2nd February. For instance, it contained special regulations as to the preparation of an inventory, appraisal and sale by auction of the alienated property. These regulations were designed to accelerate the sale: a fortnight was given the owner to make an appearance; after that the preparation of the inventory and the appraisal were completed within one month and the land sold by public auction,—which really meant, as we know, its transfer to the Peasants Bank. Furthermore, the law prohibited the mortgaging

of land, suspended the operation of contracts for the cutting down of timber, debarred enemy nationals from inheriting land held on *fidei-commissum* (which existed in the Baltic provinces), etc.[16]

The Law of 13th December 1915 also marked another substantial departure from the original policy of expropriation of enemy lands, namely, the increased scope of the territory over which these measures were operative. The Law of 13th December added four new provinces to the area outlined in the Law of 2nd February 1915: Novgorod, Pskov, Vitebsk, and Kiev (Section A, IV). This process was continued later on. By a decision of the Council of Ministers of 2nd August 1916 the operation of the Law of 2nd February was extended to the province of Kharkov, to the Kainsk district of the province of Tomsk, and to the Tyuklinski and Ishimski districts of the province of Tobolsk. It is obvious that this new measure was not called forth by the existence of German or Austro-Hungarian owned land in the wilderness of Siberia; it was aimed at the allotments of German settlers who had migrated there.

However, these measures extending the expropriation of enemy landed property to new territories were only to clear the way for a much more drastic policy. On the initiative of the committee of the Duma which discussed the Laws of 2nd February and 13th December 1915[17] the Government early in 1917 decided to extend the operation of the laws restricting landownership and land tenure by enemy nationals to the whole territory of Russia.[18] One cannot overlook the fact that this enactment entirely changed the original purpose of the whole restrictive policy. We know, that when the question was first raised in the Council of Ministers, the measure was justified by considerations of national safety which was endangered by the presence of enemy landed property in the frontier zone. With the extending of the liquidation of enemy landed property to the whole of the Empire this strategical excuse was abandoned altogether and the meas-

[16] For a juristic analysis of the Law of 13th December 1915, *see* Ivanenko, *Po povodu zakona 13 Dekabrya 1915 g.* (*The Law of 13th December 1915*), in *Zhurnal Ministerstva Yustitsii* (*Journal of the Ministry of Justice*), 1916, no. 4, pp. 209-219.

[17] These laws were enacted as provisional measures under Article 87 of the Fundamental Laws, and were subsequently submitted to the legislative chambers. Ivanenko, *op. cit.*, p. 218.

[18] Decision of the Council of Ministers sanctioned by His Majesty 6th February 1917; *Sobranie Uzakoneni*, 1917, Art. 208.

ure itself became an Act avowedly directed to the injury of enemy nationals. The general feeling in the country became so pronounced that such Acts appeared to be inspired by national interest. "In these laws," wrote a jurist in one of the law journals, "*salus rei publicae* predominates over *jus privatum.*"[19]

It is extremely characteristic that the Russian Revolutionary Government which came into power in the spring of 1917 did not abandon the liquidation of landed property held by enemy nationals, although from the early days of its rule it brought to an end such proceedings against the property of the settlers. On 11th March 1917 the Provisional Government ordered "the suspension of the operation of the following enactments until their revision by the Constituent Assembly or in accordance with the methods provided by the law"; then came a list covering all acts dealing with the property rights of the settlers (fifteen in all). This measure was dictated by an elemental feeling of justice toward Russian citizens who had suffered expropriation, and by the desire to avoid the economic upheaval which seemed unavoidable in many parts of the country as a result of the legislation relating to the proprietary rights of the settlers. Indeed, in accordance with the estimates prepared in June 1916 the area of settlers' land to be alienated amounted to 2,950,852 deciatines (7,967,300 acres); moreover, the registration of such property in the extensive area occupied by the enemy had hardly begun, so that almost the whole of this area was located in the central provinces of Russia.[20] In addition, in spite of all the precautions taken by the law to accelerate the expropriation of land held by the settlers, the complicated proceedings were advancing very slowly; figures for the middle of 1916 show that up to that date the Peasants Bank had obtained information regarding only 630 agricultural estates, with an aggregate area of 146,941 deciatines (396,700 acres), while it had actually purchased only 244 estates with an area of 134,222 deciatines (361,400 acres).[21] These data include the landed property of enemy nationals and enemy settlers. It can easily be understood that at this rate the operation of transfer had hardly begun at the time the Provisional Government suspended it altogether.

[19] Ivanenko, *op. cit.*, p. 217.

[20] *Torgovo-Promishlennaya Gazeta,* 19th July 1916, no. 158.

[21] *Vestnik Finansov,* 1916, no. 27; *Projet du budget . . . de l'empire pour l'exercice 1917, Mémoire du Ministre de Finances,* II, Petrograd, 1917, p. 29.

In the light of this information, the Act of 11th March 1917 seems to be dictated by necessity. But even then the Provisional Government remained faithful to the policy of the former government in its attitude toward land owned by enemy nationals. The practical effect of such measures was infinitely smaller than of those relating to settlers' lands. The registration carried on in the territory covered by the Laws of 1915, that is, in the western provinces of Russia with the exception of those which were occupied by the enemy, has shown that the aggregate area of land held by enemy nationals was only 205,181 deciatines.

We have no data to determine what part of this area was actually expropriated before the advent to power of the Bolsheviks. The Bolshevik coup d'état resulted in the extension of the policy of expropriation to all landed property, irrespective of the nationality of the owner, by means of the revolutionary seizure of the land by the peasants. Such was the unexpected ending of the third set of measures regarding Russian economic war which we have examined.[22]

[22] The survey of the problem of landownership by enemy nationals given by von Vogel (*Der Wirtschaftskrieg Russland,* pp. 26-44) is not quite accurate.

CHAPTER VI

THE FINANCIAL BLOCKADE OF THE ENEMY

1. *Suspension of payments.*

An important place in the policy of economic war as understood in Great Britain and France was given to the so-called "financial blockade" of the enemy. Derived from the fundamental prohibition of trade with the enemy, this measure developed in the course of the War into a complex system of measures directed against the finances, and especially against the monetary system, of the German coalition. In the hands of such powerful financial centers as London and Paris it became a mighty weapon of the economic war. In Russia also, bound to Germany as she was by a network of financial transactions which corresponded to the close economic ties which existed between the two countries before the War, the question was of the greatest practical importance. Naturally suggestions of a financial blockade had already been raised in the first months of the War. The traditional Russian view of war, as we know, contained no references to such matters, and the memory of the Napoleonic Wars and of the continental blockade had faded. The legislature had to break fresh ground.

The fundamental measure of economic war prohibiting payments to enemy nationals was enacted on 15th November 1914. The Imperial ukase to the Senate "On certain measures necessitated by the War," published on that date, contained the following provision: "Until further notice the following are prohibited, unless specially permitted by the Minister of Finance acting, where so required, in concert with the Minister of Commerce and Industry: (1) the payment, conveyance, or transfer abroad of all moneys, securities, silver, gold platinum, and precious stones, as well as articles made from the aforesaid metals and stones, to Austrian, Hungarian, German, and Turkish institutions, companies and partnerships and to nationals of Austria, Hungary, Germany, and Turkey domiciled outside Russia, directly or through other persons or institutions wherever established and whatever may be their connection with such institutions or persons" (Section I).

This fundamental restriction merely suspended payments to enemy nationals residing outside Russia and did not affect their civil rights. On the contrary, commercial and industrial establishments and estates of enemy nationals situated in Russia were allowed to receive payments even if their owners resided abroad; payments were to be made to such administrators of the establishment or estate as had been empowered to receive payments before the War, these powers even being extended, in accordance with the spirit of the Act of 15th November 1914 for the whole period of the War, irrespective of the period for which they were originally granted (Section II). Persons who desired to effect payments to enemy nationals in spite of the suspension of direct payments were allowed to do so by paying the money to a special account which was to be opened for this purpose by the State Bank (Section VI).[1]

The liberal interpretation by the executive officers of the law suspending payments may be gathered from the minutes of a special committee formed under the auspices of the Ministry of Justice in order to deal with individual questions arising in connection with the enforcement of the new law. Among the questions on which the committee had to give its conclusions were the following. Whether the term "payment" within the meaning of the Act would cover the opening of an account with a Russian bank to the credit of enemy nationals or companies domiciled abroad, and the addition of interest on such accounts. The committee decided that the placing of credits to the account of an enemy national and the adding of interest was not forbidden by the Law of 15th November 1914 because "the Ukase, made for the purpose of preventing the transfer of valuables to the enemies of Russia, is applicable to actual payments only." Another question was: Under what conditions might enemy nationals or corporations domiciled outside Russia draw on their credit accounts; and might payments be made from such accounts to Russian, friendly and neutral corporations and nationals by order of the depositors or their representatives? The committee decided that such operations were not prohibited by the Ukase, but it recommended as a precautionary measure that they should be carried out with the special permission of the Ministry of Finance, the representative of the Ministry having given the assurance that such

[1] *Sobranie Uzakoneni*, 1914, Art. 2923; on the Law of 15th November 1914 *see* von Vogel, *op. cit.*, pp. 95 *sqq.*

permission would be granted at once. It is hardly necessary to mention other interpretations of the law given to it by the committee. This is sufficient to show the real intent and spirit of the Law of 15th November 1914. It merely established a moratorium on actual transfers of valuables and moneys to enemy nationals and corporations domiciled abroad; within Russia, apart from the transfers abroad, the proprietary rights of enemy nationals were fully protected. They continued to receive and make payments as freely as if there were no war at all. Although absent, they continued to hold full rights of participating in the economic life of Russia.[2]

This original system of the restriction of payments remained in force for a relatively short time and was soon replaced by a series of new measures which marked a substantial interference in the sphere of the economic and proprietary interests of enemy nationals within Russian territory. The same minutes of the special committee just referred to declare that the Ministry of Commerce and Industry was working on the draft of a bill prohibiting trade with nationals of enemy countries. The original liberal interpretation of the restriction of financial dealings with the enemy was, therefore, very soon abandoned, under the influence, one may assume, of the legislation of the allied countries. It is true that the publication of this law was greatly delayed: it did not appear until the close of 1916. However, a number of enactments which we have discussed above were from 1914 directed against enemy economic interests in Russia with the ultimate result that nothing was left of the original idea of the unhindered participation by enemy nationals *in absentia* in the economic life of Russia.

2. *Dealings in Russian securities.*

In connection with the Law of 15th November 1914 the question was raised as to the circulation in Russia of enemy-owned shares of Russian joint-stock companies and of enemy shareholders in Rus-

[2] The minutes discussed in this chapter refer to November 1915 and were published in *Sbornik uzakoneni, rasporyazheni, razyasneni i tsirkulyarov ob ogranichenii prav nepryatelskikh poddannikh* (published by *Osobaya Kantselyarya po Kreditnoi Chasti,* 1915, pp. 77 *sqq.*). The committee was presided over by Senator Ilyashenko, Under-Secretary of State at the Ministry of Justice. The committee existed for a number of years and is responsible for many of the Acts which are being discussed here.

sian companies in general. The special committee of Senator Ilyashenko, to which reference has already been made, discussed the two following questions: (1) Is it permitted to enemy nationals residing outside Russia to purchase and sell securities through agents and to be represented at the meetings of shareholders of Russian joint-stock companies; and (2) is the transfer of enemy-owned shares of Russian joint-stock companies to nationals of Russia or neutral countries residing in Russia legal, provided the payment for such shares is postponed until the end of the War?

It is easily understood why this question was raised and decided upon in connection with the ukase suspending payments, in other words, as a part of the system of financial blockade. The freedom of enemy nationals residing outside Russia to deal in Russian securities could become a method of obtaining money from Russia for enemy countries. With the liberalism which is typical of all interpretations of the Ukase of 15th November 1914 by Ilyashenko's committee, the question given above was answered as follows: "Questions 7, Part 1 (the right of enemy nationals residing outside Russia to purchase and sell Russian securities) and 14 (the transfer of such stock to subjects of the Russian Crown and of neutral countries), which, in the opinion of the committee, have only an indirect connection with the Ukase of 15th November 1914 as far as it involves payments to enemy nationals and corporations abroad, should be discussed while preparing the draft of a law prohibiting trade with enemy nationals, such draft, in accordance with the information of the Ministry of Justice, being now prepared by the Ministry of Commerce and Industry. As to Part 2 of Question 7, dealing with the right of enemy nationals to take part in the general meetings of shareholders of Russian joint-stock companies, this right is not affected by the Ukase of 15th November 1914. In the opinion of individual members of the committee, the question, as to whether or not sales of Russian interest or dividend-bearing securities by enemy nationals should be permitted during the War, deserves particular consideration." The committee, therefore, left to future legislation the problem of transactions in Russian stocks, believing that the suspension of payments presented no ground for interfering with the freedom of such operations. The individual members of the committee merely recorded their view that the question "deserves particular consideration."

In spite of this, no further restrictions were enacted for two years after the publication of the Ukase of 15th November 1914. The Law of 24th October 1916 relating to the prohibition of trade with the enemy and with certain neutral firms, did not cover the problem, because the prohibition of trade with the enemy applied only to Russian nationals and to persons residing in Russia, thus leaving to neutrals abroad full freedom to deal in Russian stocks. Only at the very close of 1916, at the time of the reopening of the Petrograd Stock Exchange, was there a decisive restriction on transactions in Russian stocks owned by enemy nationals. The provisional regulations for the reopening of the Stock Exchange provided that "securities belonging to nationals of enemy countries can be made the object of transactions only in accordance with regulations established by the Minister of Finance (Regulation 15)."[3] The instruction of the Minister of Finance "On the regulations to be observed in dealing in Russian interest and dividend-bearing securities endorsed with a German or Austrian stamp," published in virtue of the regulations quoted above, provided that Russian interest and dividend-bearing securities endorsed with a German or Austrian stamp would be admitted to circulation on the Stock Exchange on the sole condition that they were accompanied by a special certificate stating that such securities were not the property of enemy nationals during the War; these certificates were to be issued in the course of a fortnight on the application of nationals of Russia or allied countries stating that the security was purchased or imported by them into Russia before the outbreak of the War.

3. Strict government control over financial operations abroad.

The suspension of payments to enemy nationals introduced by the Law of 15th November 1914 lost all practical significance early in 1916 when all payments were put under the control of the Government, especially from the summer of 1917 when this control was extended to all payments abroad in rubles.

Under the pressure of an acute demand for foreign moneys to meet liabilities resulting from orders placed abroad for national defense, and because of other urgent needs of the market and the necessity of

[3] Decision of the Council of Ministers, sanctioned by His Majesty on 27th December 1916; *Sobranie Uzakoneni,* 1917, Art. 115.

safeguarding the ruble, the Russian Government was compelled to place all payments abroad under an embargo. We know that the balance of trade was becoming more and more unfavorable as the War advanced, and that emergency measures were needed to save the ruble from complete depreciation. To achieve this purpose, originally by agreement with banks but later on by legislation, new regulations were introduced, in accordance with which no transfer of money abroad, at first in foreign currencies but later in rubles, could be effected without special permission from the Ministry of Finance.[4]

Under the regulations brought into operation early in 1916, a special Settlement Department was appointed from representatives of Russian banks and government departments under the auspices of the Credit Office of the Ministry of Finance. The banks submitted to the Settlement Department all applications for the transfer of foreign moneys abroad; such applications were examined by the Department, and the reserves of foreign moneys held by the banks were apportioned among the applicants. The Settlement Department determined the rate of foreign exchange. Banks were prohibited from dealing among themselves in foreign money, or selling rubles abroad in order to purchase foreign drafts for their own use or on behalf of their clients. The establishment of the new department was announced in the official paper of the Ministry of Finance, but the regulations themselves were not made public and were communicated only to the banks for their guidance.[5] The Provisional Government considered it necessary to emphasize the importance of this measure by publishing it in the form of a decree which included also the unqualified prohibition of payments in rubles to the credit of persons residing abroad. Article I of this decree, issued by the Provisional Government on 5th June 1917, read as follows: "All transfers

[4] The moratorium on letters of credit made in foreign currency, irrespective of the place where the money was received or made payable, established at the beginning of the War by the Ukase of 12th September 1914, may be considered a precedent of these measures (*Sobranie Uzakoneni,* 1914, Art. 2379).

[5] For a detailed statement of the organization of the Settlement Department *see* Professor Bernatzky, *The Monetary Policy of the Russian Government during the War,* Chapter II, in the volume *Russian Public Finance during the War* (Yale University Press, 1928) of this series of the *Economic and Social History of the World War.*

of rubles abroad, as well as the payment of rubles to the account of persons and institutions domiciled abroad or of their representatives in Russia, or the entering into transactions which may lead to such transfers or payments, are unreservedly prohibited, except with the special permission of the Minister of Finance, which permission must be obtained in each particular case." Article II of the decree provided that the limitation established by Article I did not apply in the case of the transfer or payment of rubles from one foreign account to another. The decree also contained provisions legalizing the Settlement Department of the Credit Office created in 1916, and authorized its control of all foreign transactions of Russian banks in rubles or foreign currency (Article III); the transfer of money abroad without the permission of the Ministry of Finance was now made a criminal offense (Articles V-VII).[6]

The dictatorship of the Credit Office, created by the enactments of 1916 and 1917 to control payments abroad, removed the very possibility of making payments of this character in favor of enemy nationals residing outside Russia. As a matter of fact it took over the measures of financial blockade which were in existence since the publication of the Ukase of 15th November 1914.

It must be added that the embargo on the payment of money abroad was followed by the prohibition by the Russian Government of the transfer abroad of Russian interest and dividend-bearing securities, unless by the special permission of the Ministry of Finance.[7] The control of such transactions was entrusted to a special department of the Ministry of Finance on the transfer of securities abroad, organized on the same lines as the Settlement Department.[8] On the other hand, an earlier law prohibited the importation into Russia from neutral countries of interest and dividend-bearing securities and coupons of such securities, either by mail or through the instrumentality of travelers entering the country.[9] The circle of

[6] *Sobranie Uzakoneni,* 1917, Art. 734. The statute of the Settlement Department of the Credit Office was sanctioned by the Minister of Finance on 23rd July 1917 and published in *Sobranie Uzakoneni,* 1917, Art. 1060. *Cf.* Bernatzky, *op. cit.*

[7] Decree of the Provisional Government of 19th June 1917, *Sobranie Uzakoneni,* 1917, Art. 879.

[8] Decree of the Provisional Government of 5th September 1917, *Sobranie Uzakoneni,* 1917, Art. 1655.

[9] Decree of the Provisional Government of 5th May 1917, *Sobranie Uzakoneni,* 1917, Art. 680.

control over financial transactions with persons or organizations abroad was now definitely closed, and the theoretical opportunities for such transactions which were still open to enemy nationals after the publication of the Ukase of 15th November 1914 became of small account.[10]

[10] For a detailed treatment of this matter *see* Professor Bernatzky, *op. cit.*

CHAPTER VII

THE FOREIGN TRADE OF RUSSIA UNDER THE INFLUENCE OF ECONOMIC WAR

1. *Statistical data on Russian foreign trade during the War.*

Whatever may be our view of the measures with regard to economic war taken by the Russian Government against the commercial, industrial, landed, and financial interests and rights of enemy nationals within Russian territory, they nevertheless do not represent the most important development of the world economic war of 1915-1918 from the Russian point of view. The liquidation of hundreds of small enemy establishments in Russia, the compulsory administration of hundreds of larger establishments, the expropriation of thousands of deciatines of enemy landed property, the suspension of payments,—all these measures taken together were of infinitely less importance than the tremendous changes which occurred in the foreign trade of Russia under the influence of economic war. Never in the history of Russia had any war led to such astounding upheavals in her foreign trade as the War of 1914-1918. And furthermore, none of the Powers which took part in the struggle of those years, with the exception of Germany and Austria-Hungary, had ever experienced similar disturbances, least of all, the allies of Russia. In Chapters I and II we have examined the effects of the War upon the routes of Russian foreign trade and the organization of the tariffs and embargo war on the part of Russia against the German coalition, and its repercussion upon Russian trade with neutral countries. It remains now to expand the scope of our investigation of Russian foreign trade during the War, in order to find out what was left of it under the conditions of the blockade and of the tariffs and embargo warfare, and how it was carried on during the War.

By approaching the problem from this angle, it may be that I depart from the strict investigation of the phenomenon of economic war: Russia's foreign trade, for instance with Great Britain and the United States, being indirectly affected by the measures of economic warfare, was also dependent on other substantial factors. From the point of view of the economic struggle, however, all that

has been said above concerning the blockade and the tariffs and embargo war would be mere fragmentary statements if they were not coördinated in a general survey of Russian foreign trade during the War.

I shall begin with statistical data. Let us take first those Russian exports which were particularly affected by the War.

In the last year before the War (1913), Russia exported over her European and Caucasus frontiers goods to the aggregate value of 1,420,949,000 rubles, of which 95 per cent were foodstuffs and raw and semi-manufactured goods. In the first year of the War (August 1914 to July 1915), exports fell to 190,171,000 rubles; in the second year (August 1915 to July 1916), they slightly improved and reached 418,763,000 rubles; the third year was almost equal to the second one, exports amounting to 446,079,000 rubles.[1] If we express these data in percentages, we shall find that Russia exported, as compared with her pre-war standard:

	Percentage
1914-1915	13.3
1915-1916	29.4
1916-1917	31.3

In other words in three years she exported less than three-fourths of her normal annual exports. The War, therefore, meant a real catastrophe to the Russian export trade.

Data for exports by way of Vladivostok and Nicholaevsk do not substantially alter this picture. In the first year of the War the exports from these ports aggregated 5,251,000 rubles; in the second year, 23,382,000 rubles; in the third year (the available data cover only the first eleven months), 15,860,000 rubles.

This drastic reduction in the export trade of Russia is accompanied by a no less drastic change in the trade routes. In 1913 Russian exports were distributed as follows:

	Percentage
Germany	31.8
Great Britain	18.7
The Netherlands	12.4
France	7.1
Italy	5.1
Belgium	4.5

[1] *Cf.* p. 38, n. 24.

	Percentage
Austria-Hungary	4.4
Finland	3.8
Denmark	2.5
Turkey	2.5
Rumania	1.5

With the outbreak of the War, export trade took new directions. To begin with, Finland assumed a greater importance from the point of view of exports from Russia. This small country, united to Russia by political ties, had always preserved the independence of its customs. During the War it was cut off from the outside world as a part of the Russian Empire, a belligerent, and at the same time it was crowded with Russian troops, it being an important *place-d'armes* of Russian defense. The increase in trade with Finland is therefore only natural. Russian exports to Finland amounted to

Year	*In thousands of rubles*	*Percentage of Russian annual exports*
1914-1915	95,759	50.3
1915-1916	170,563	40.7
1916-1917	174,156	39.1

The remainder of Russia's export trade was distributed as follows:

Year	*In thousands of rubles*	*Percentage of Russian export trade*
	Great Britain	
1914-1915	81,802	43.
1915-1916	189,610	45.2
1916-1917	182,078	40.8
	France	
1914-1915	8,915	4.6
1915-1916	35,400	8.4
1916-1917	56,917	12.9
	United States	
1914-1915	482	0.2
1915-1916	5,050	1.2
1916-1917	14,161	2.1
	Sweden	
1914-1915	2,121	1.1
1915-1916	6,747	1.5
1916-1917	10,254	2.5

Unfortunately, official records do not permit us to trace the destination of exports from Vladivostok and Nicholaevsk. Export trade through these ports, however, constituted only a small portion of the total exports of Russia (from 2 to 5 per cent) and therefore could have little effect upon the general distribution of Russian exports. Such were the general effects of the War upon Russian exports: their reduction and the changes in their destination.

The last year before the War (1913) gives the aggregate figure for Russian imports as 1,374,033,895 rubles. The most characteristic feature of Russian imports was the predominance of imports from Germany, which amounted to 47.4 per cent of the total imports. The remaining imports were more or less equally distributed, coming from other countries in the following percentages:

	Percentage
Great Britain	12.5
United States	5.8
China	5.
France	4.1
Persia	3.1
India	2.5
The Netherlands	1.5
Sweden	1.2
Italy	1.2

With such a distribution of the Russian import trade, an immediate result of the War was the disappearance of Germany, formerly its dominating factor; as far as foreign trade still remained possible, other countries took Germany's place.

Let us now examine the actual effect of the War on the import of goods into Russia. As before we shall give figures for the first, second, and third years of the War. I may add that official Russian statistics do not allow us to examine imports as a whole. They must be treated in two divisions: European and Black Sea frontiers on the one hand, and the ports of Nicholaevsk and Vladivostok on the other.

The figures of imports over the European and Black Sea frontiers are as follows:

	In thousands of rubles
1914-1915	404,415
1915-1916	1,076,938
1916-1917	2,104,460

For the ports of Vladivostok and Nicholaevsk:

	In thousands of rubles
1914-1915	149,749
1915-1916	597,749
1916-1917	597,465

For the third year in both instances we use figures for eleven months, as those for July 1917 are not available.

No one reading these figures can fail to notice the remarkable way in which, after a material decline (by 40 per cent) during the first year of the War as compared with pre-war standards, imports exceeded (by 20 per cent) during the second year the normal pre-war volume, and during the third year almost doubled it.[2]

These changes, the original decline and the subsequent rapid growth of Russian imports, are accompanied as in the case of Russian exports by a fundamental change in trade routes. The Russian market during the War was chiefly supplied by three countries on the European frontier: Great Britain, the United States, and France; and by three countries on the Pacific Coast: Great Britain, the United States, and Japan. Great Britain, the United States, and France in the first year of the War sent Russia over her European frontier 64.4 per cent of her total imports; in the second year, 77.6 per cent; and in the third year, 75.4 per cent. By way of Vladivostok and Nicholaevsk, Great Britain, the United States, and Japan imported into Russia in the second year of the War 83.1 per cent of the total imports through those ports; and in the eleven months of the third year, 94.9 per cent.

If we turn to more detailed statistics of imports for the European and Black Sea frontiers we shall find the following figures:

	In thousands of rubles	
Year	*Great Britain*	*Percentage*
1914-1915	147,599	36.4
1915-1916	290,839	27.
1916-1917	578,500	27.4

[2] The data given here deal with imports through all the frontiers, while the figures for imports by way of Vladivostok and Nicholaevsk for the third year cover only eleven months.

In thousands of rubles

Year	*United States*	*Percentage*
1914-1915	39,602	9.7
1915-1916	294,655	27.3
1916-1917	536,829	25.5
	France	
1914-1915	12,434	3.
1915-1916	87,139	8.
1916-1917	255,350	12.1
	Sweden	
1914-1915	18,059	4.4
1915-1916	80,053	7.4
1916-1917	99,369	4.7
	Japan (*through the European frontier*)	
1914-1915	8,710	2.1
1915-1916	25,292	2.3
1916-1917	55,110	2.6

Aside from Finland, the figure of importations from other countries was of no particular significance.

To the above data we must add those of the customs of Vladivostok and Nicholaevsk, which are available for the second year of the War and the first eleven months of the third year.

In thousands of rubles

Year	*Great Britain*	*Percentage*
1915-1916	80,631	13.4
1916-1917	76,286	12.7
	United States	
1915-1916	293,663	51.
1916-1917	322,925	54.
	Japan	
1915-1916	172,020	28.7
1916-1917	168,823	28.2

In concluding our study of imports we must again emphasize what

has already been said with reference to export trade, namely, the substantial part played by Finland:

Year	*Finland (in thousands of rubles)*	*Percentage*
1914-1915	61,907	15.3
1915-1916	165,377	15.3
1916-1917	202,532	10.4

These figures are easily understood. No obstacles due to the international situation existed between Russia and Finland; the population of Finland was not liable to service in the army and therefore could devote itself to work in local factories. Finnish industries concentrated on meeting the demands of the Russian market and succeeded in obtaining the satisfactory results stated above.

It goes without saying that whether we consider the figures of Russian exports or of her imports we should always keep in mind the rise of prices during the War, in order to appreciate their actual relation to pre-war figures, or, to be exact, their relation to such figures for each year of the War. The growth of imports, for instance, as expressed in pre-war prices of commodities would, of course, differ from that conveyed by the official records. In accordance with the calculations of M. Prokopovich based on the rise of customs valuations for fourteen principal articles of Russian imports, the index numbers of imports expressed in percentages of such prices in 1913 would be as follows:[3]

	(1913 = 100)
July to December 1914	108.1
January to June 1915	138
July to December 1915	155.1
January to June 1916	195.7

M. Lomakin in his survey of Russian foreign trade, carried out in 1916, came to the conclusion that in order to obtain the expression of Russian exports and imports in gold rubles the figures of Russian official statistics should be reduced by at least one-third.[4] This index

[3] S. N. Prokopovich, *Voina i narodnoe khozyaistvo* (*The War and the National Economy*), Moscow, 1917, pp. 86 *sqq.*

[4] N. Lomakin, *Vneshnaya torgovlya Rossii za 1916 god* (*Russian Foreign Trade in 1916*), in *Vestnik Finansov, Promishlennosti i Torgovli*, 1917, no. 10, p. 470.

figure is probably still too small and one may be justified in reckoning the actual volume of Russian foreign trade for the whole period of the War at half its official value. For the purpose of our investigation, however, a comparison of the figures of Russian exports with one or another index number is of secondary importance. From the point of view of Russian national economy we are interested first in the balance of exports and imports, and second in the changes in the routes taken by Russian foreign trade. In both cases we are justified in basing our conclusions on the official data; they are more accurately expressed in the war-time than in the pre-war prices of commodities.

What general conclusions may we draw from the figures quoted above of Russian exports and imports? One such conclusion does not require any further investigation and may be given at once: the balance of Russian foreign trade during the War. We are not quite ready yet to give the other conclusions. The growth or decrease of Russian foreign trade and the change in trade routes are clear from the data quoted, which however are not sufficient to explain these processes. In order to understand them, further investigation is needed and will be found in a later part of this work.

We already know that for the last year before the War Russia had an active trade balance; the figures are as follows:

	In thousands of rubles
Exports	1,420,949
Imports	1,374,033
Excess of exports over imports	46,916

This situation was immediately altered with the outbreak of the War, as appears from the following table:

Years	*Exports*	*Imports* (*in thousands of rubles*)	*Excess of Imports over Exports*
1914-1915	190,171	404,415	214,244
1915-1916	418,763	1,076,938	658,175
1916-1917	446,079	2,104,460	1,658,381
Three War Years	1,055,013	3,585,813	2,530,800

The deficit of Russian foreign trade, therefore, made itself felt immediately after the outbreak of the War and eventually assumed

alarming proportions; from the point of view of her trade balance for meeting her war-time imports, Russia in three years exported 150 per cent less than her normal annual export before the War.

The immediate result of Russia's unfavorable trade balance during the War became apparent in the field of finance: the depreciation of the ruble. The investigation of this problem and of the measures taken by the Russian Government for controlling the supply of foreign moneys remains outside the scope of the present work. Some of these measures, in so far as they were related to the financial blockade, are already familiar to the reader; others will be discussed later in connection with the examination of conditions which had an immediate influence upon Russian exports. It will be enough to point out here that in the estimation of M. Prokopovich, based on the quotations of checks on Petrograd and London, the depreciation of the gold ruble during the War computed on the basis of six-monthly periods was as follows:

	Percentage
July to December 1914	18.5
January to June 1915	19.7
July to December 1915	33.9
January to June 1916	38.9
July to December 1916	38.7

He also proves convincingly that the sharp depreciation of the ruble was due not only to the adverse trade balance, but also to political reasons, among which should be mentioned changes in the military fortunes on the Russian front.[5]

2. *Reduction of exports and its causes.*

Let us go back to the processes connected with the changes in the routes of Russian foreign trade during the War, and try to explain the stupendous swing which took place in them.

We already know the main outlines of the charter of Russian exports during the War. I have described how a number of restrictions on the Russian export trade, codified in the Rules of 4th May 1915,

[5] Prokopovich, *op. cit.*, p. 94; *cf.* the views of S. S. Katzenellenbaum, quoted by Prokopovich, in *Trudi Kommissii po izuchenyu sovremennoi dorogovizni* (*Proceeding of the Committee for Inquiring into the Causes of the High Cost of Living*), III, p. 34, and a speech by M. Bark, Minister of Finance, delivered in the committee of the Duma, *ibid.*, p. 96.

were introduced, originally as measures directed chiefly to the prevention of the export of Russian goods to Germany or to other enemy countries, and later to the conservation of supplies needed in Russia. The effects of these measures relating to Russian exports to enemy or neutral countries are known to us; they actually caused a suspension of export trade with the enemy, and greatly hindered that with neutrals. They contributed, therefore, to the deviation to the Allies of the bulk of Russian exports. But even in this respect they did not help to promote the Russian export trade.

Indeed, as a general rule the system of export licenses was applied even to allied countries. The Rules of 4th May 1915 contained a relatively modest list of goods which could be exported to allied countries without permits, on the condition that they were shipped direct to such countries under the Russian or allied flags (Article 17). This list included the following items: maize, bran and husks, bacon, butter, eggs, guts, fish, first-grade tobacco, lumber, oil-seeds, clover seeds and other fodder seeds, furs and skins, except sheep skins and goat skins (Appendix to Article 17).

This list was eventually amended to include such items as caviar (withheld at a later date); Spanish fly; ergot; etc.[6] In addition, some of the commodities included in the list, for example, furs, could be sent to allied countries by parcel post.[7] The Regulations of 4th May 1915 provided for another general exemption: they allowed the export without license to Great Britain of game, poultry, eggs, and bacon (Article 13). But these exemptions only slightly affected the general rule that the exportation of a vast number of Russian commodities required a special license (accompanied by the so-called diplomatic guarantee of the non-exportation of such goods to enemy markets).

Exporters to allied countries could undoubtedly comply with the formalities for obtaining licenses without too much inconvenience. The granting of applications, however, necessitated considerable delay, which under the conditions of war-time maritime transport was sometimes equivalent to prohibition of export. Such, for instance, was the case of the export of lumber through the ports of

[6] *Sobranie Uzakoneni,* 1915, Art. 1974; 1917, Art. 1881; *Ukazatel Pravitelstvennikh Rasporyazheni po Ministerstvu Finansov,* 1916, no. 13.

[7] *Ukazatel Pravitelstvennikh Rasporyazheni po Ministerstvu Finansov,* 1915, no. 26.

the White Sea. The granting of diplomatic guarantees required about six weeks. Neutral shipping was reluctant to wait all this time and as early as the navigation season of 1915 one might notice a tendency to refuse to accept cargoes of lumber shipped by private firms.[8]

In addition to the formalities prescribed by the Regulations of 4th May 1915 exporters to allied countries had also to overcome other difficulties. These were created by the monetary policy of the Government. In the middle of the year 1916 the Government established a monopolistic control of foreign moneys needed for purposes of the export trade. An ordinance of the Minister of Finance of 25th July 1916 laid down the rule that all foreign moneys received by exporters for goods sold abroad must be surrendered to the Ministry of Finance. This rule was applicable only to the export of goods under embargo during the War, since the export of such goods alone was taken under control; but as all goods of any importance from the point of view of the export trade appeared on the lists of embargoed articles, the limitation to the export of embargoed goods only of the rule relating to the surrender of foreign moneys was of little practical value. The whole of the Russian export was to be carried on within the limitations created by the ordinance. The machinery of surrender was organized as follows. Licenses for export, in cases where export was required, were issued only on the condition that the exporters undertook the obligation to surrender to the Ministry of Finance the foreign money received in payment. In the case of goods which could be exported without licenses, on ships flying the Russian or allied flags, a similar obligation was imposed on the customs officials who released the goods. Finally, for lumber, which could be exported to allied countries without a license, if shipped under a Russian or allied flag, the obligation was imposed on the exporter by the Union of Lumber Merchants in Petrograd or Archangel (Articles 2, 3, and 4). The obligation to surrender foreign money applied to the net sum obtained by the transaction after the deduction of an allowance for freight and kindred expenses payable in foreign money (Article 1). The Ministry of Finance, as a compensation for the foreign money surrendered, paid the exporter in rubles

[8] Omelyusti, *O neobkhodimosti lgot dlya lessnogo exporta* (*Exemptions in Favor of Exports of Timber*), in *Promishlennost i Torgovlya,* 1915, no. 19, p. 229.

(Article 5). The ordinance contained no provisions as to the time within which such surrender should be effected, but it was established as a matter of practice that it should take place not later than four months after the exporter entered into the obligation.[9] This system, with the slight modification brought into existence by the Ordinance of 17th March 1917 which provided that the four months for the surrender of foreign money should commence on the date of the shipping of the goods, and not on the date on which the obligation was signed, was in force until the end of the War.[10] Its effect upon Russian exports was anything but favorable. The condition of the Russian market was such that it could absorb the greater part of the goods, and Russian trade was in no need of rubles. The chief stimulus to exportation, therefore, disappeared; furthermore, the rubles received in payment could not be converted into foreign currency by any other method, because of the government control over transactions involving foreign exchange.[11]

Another obstacle in the way of the Russian export trade was the question of transport. It may appear at first sight that this need not have played so important a part. Russia, in spite of all the difficulties of shipping and railroad transport, imported at the peak of the War even more than in time of peace; one may argue that shipping and trucks could have been used in the return direction, that is, for export. In practice, however, this was not always possible because of the lack of proper organization. For instance, the large amount of import by way of Vladivostok was not counterbalanced by the exports from that port, and empty trucks went to Vladivostok across Siberia because high freight rates prevented the advantageous use of this route for the export of Russian raw materials.[12]

All these conditions, however,—the system of licenses, the surrender of foreign moneys, the disorganization of transport,—were not the chief reasons for the reduction of Russian exports during the War. The main factor, undoubtedly, was the change in the con-

[9] The ordinance is published in *Ukazatel Pravitelstvennikh Rasporyazheni po Ministerstvu Finansov i Ministerstvu Torgovli i Promishlennosti,* 1916, no. 31.

[10] *Ibid.,* 1917, no. 12.

[11] Russian business circles were very dissatisfied with this measure; *cf. Monopolizatsya inostrannoi valuti* (*Monopoly of Foreign Moneys*), in *Promishlennost i Torgovlya,* 1916, no. 16, p. 451.

[12] Prokopovich, *op. cit.,* pp. 90 *sqq.*

dition of the Russian home market. An official publication on the economic situation in Russia issued in 1916 describes this change as follows:[13] "The pessimistic outlook as to the future of our export trade which was expressed at the beginning of the War, the anticipated rapid depreciation of our raw materials in connection with the suspension of their export, proved entirely without foundation. . . . The buying capacity of the home market has increased as a result of the greater demand from the "dry" rural community and from the lower classes of the urban population who, by considerably reducing their consumption of liquor, have greatly improved their standard of living. It was further increased as a result of the large demand for the needs of the multi-million army and, eventually, of the mobilization of industry for the purpose of national defense. The demand has increased to a degree never before experienced and has completely routed all preliminary speculations and anxieties of the first days of the War. A number of articles of export found a vast number of consumers within the country as a consequence of these conditions which were unforeseen by the majority; on the other hand, the supply of many of these commodities, especially of foodstuffs, was considerably reduced, because with the suspension of the sale of liquor the standard of nutrition of the peasantry in general had been raised and the farmers were unwilling to part with their products at low prices."

The soundness of these conclusions is corroborated by the displacement of Russia's export centers during the War. The Russian customs tariff divides all articles of export into four groups: foodstuffs, raw materials and semi-manufactured goods, animals, and manufactured goods. The first two groups always had a dominating part in Russian export trade, but the former, foodstuffs (especially cereals), was in advance of raw materials and semi-manufactured goods. In 1913 the first group amounted to 56.8 per cent of the total export, the second group to 38.7 per cent. In the first year of the War the relation remained unaltered: foodstuffs represented 55.4 per cent, raw materials and semi-manufactured goods 37.6 per cent

[13] *Khozyaistvennaya zhizn i economicheskoe polozhenie Rossii za pervie devyat mesyatsev voini* (*The Economic Conditions of Russia during the First Ten Months of the War*), from data collected by the State Bank, State Nobility Land Bank, State Peasants Land Bank, and the Inspectors for small credit organizations, Petrograd, 1916, pp. 74 *sqq.*

of the whole amount of export. The export trade continued to be carried on by pre-war methods. But as early as the second year of the War this balance was changed: the first group amounted to 43.5 per cent, and the second to 52.3 per cent of the total export. In the third year the change is striking: the first group amounted to 22 per cent, while the second became 70 per cent. The home market absorbed foodstuffs, but allowed the export of those raw materials and semi-manufactured goods for which in their still unfinished state there were no local consumers. Hemp, lumber, and flax were now the chief articles of export. This development, which was recorded by the careful observer of Russian foreign trade as early as the summer of 1916,[14] was a characteristic instance of the bearing of the home market on Russian export during the War.

3. *Destination and routes of Russian export trade and attempts to control it.*

I have already said that during the War the routes of Russian exports underwent considerable changes. If we leave aside Finland, trade with which presented little interest from the point of view of economic war, we may assert that during the War Russia exported her goods mainly to Great Britain and, on a much smaller scale, to France; export to other countries was without significance. Such a distribution of exports is suggested by the general condition in which Russia found herself after the outbreak of hostilities. The embargo and tariff war with Germany, with the resulting restriction on exports to neutrals, and the blockade of Russia on the Baltic and Black Seas had as their result the fact that Russian export trade could be carried on only through the ports of the White Sea and there only in the summer and autumn. If we examine the curves of the monthly exports from Russia of such goods as flax, lumber, cereals, petroleum, we shall find the same phenomenon in each case. The curves begin to rise in May 1915, reach their highest point in August to September 1915; then there is a sharp decline from November 1915 to May 1916; from that date they rise again and reach

[14] Lomakin, *Vneshnaya torgovlya Rossii za 1916 god* (*Russian Foreign Trade in 1916*), in *Vestnik Finansov*, 1917, no. 10, p. 471; *Vneshnaya torgovlya Rossii za devyat mesyatsev 1916 goda* (*Russian Foreign Trade in the First Ten Months of 1916*), in *Promishlennost i Torgovlya*, 1916, no. 49, p. 484.

a high point in August to September 1916; fall again in the winter months of 1916-1917; but rise again in the summer of 1917, although not so high as in 1916, a result of the Revolution and of the unsettled economic conditions of the country. It is thus perfectly clear what a fundamental effect the icebound ports of the White Sea had upon Russian export. With the general use of the White Sea route for Russian exports and the paralysis of Russian trade with neutrals, Russia's foreign trade seemed to take on the character of her sixteenth-century trade: she exported to England, because England alone maintained maritime relations with Archangel. The slight volume of trade with France did not materially alter this situation.[15]

The *de facto* British or the Anglo-French monopoly of Russian exports had definite economic, financial, and political consequences. The detailed examination of these effects lies outside the scope of the present work, but we must consider at least one of them, namely, the attempt of the western allies of Russia to establish a control over Russian export trade. This attempt was inspired by the desire to safeguard the export from Russia to Great Britain and France of those goods which the latter countries seriously needed for their national defense, as well as for their home markets. These attempts, however, did not develop into a stable and effective organization of Russian export in the interest of her allies, and the conditions of export trade remained rather chaotic until the close of the War. Several attempts were made to solve the problem, but they met with little favor with Russian exporters, who preferred to organize export trade according to their own methods and for their own interest.

The first attempt to subordinate Russian export to the interests of the supply of allied countries was made by France in connection with the financial agreements entered into by her with the Russian Government. The question of coördinating Russian exports with the demands of her allies was first raised at the Conference of the three allied Ministers of Finance held in Paris in February 1915 (Ribot, Lloyd George, Bark), where Russia expressed her willingness to facilitate the export of grain and other foodstuffs to the allied countries. The Conference, it will be recalled, did not bring about an inter-allied financial agreement, with the result that the question of Russian export became the subject of separate negotiations be-

[15] For the Russian trade of the sixteenth and seventeenth centuries *see* Platonov, *Moskva i Zapad* (*Moscow and the West*), Berlin, 1926, pp. 7 *sqq.*

tween the Russian and the French Governments. Bark agreed to facilitate the export of grain to France; moreover, the Russian Government undertook to purchase grain for the French Government and the expenses incurred therefor were to be credited against the advances made by France to the Russian Government. This agreement was concluded at a time when it was generally hoped that the Straits would soon be opened, and it provided therefore for the resumption of exports from the southern Russian ports. But even after the collapse of the belief that the Straits would be reopened, the hope of export from Russia to France was not abandoned. The new financial agreement between the two countries concluded on 3rd October 1915 contained provision for the export of grain and spirits from Russia to France, the Russian Government binding itself to pay in rubles for the goods purchased for export on the understanding that these sums would be credited against the advances made to it by France; it was only in the case of the first shipments of spirits that the Russian Government succeeded in obtaining payment in francs, instead of having the sum credited against the advances made to her. The export of grain during the War, in spite of the agreement, remained insignificant, and the French Government made frequent complaints that the promise to aid the export of grain did not bring about the results anticipated. The failure of this attempt to organize the provision of France with Russian grain may be explained by the tremendous transport difficulties and the hindrances in the way of an organization of purchases which the Russian Government had to overcome in contriving a system of supplies even for the Russian army. The export of alcohol was more successful, but the amount of export remained rather small throughout the War.[16]

Another attempt of the western allies of Russia to take Russian export under control dealt with flax, a commodity of extreme importance to them as well as to Russia. The export of flax, which was very nearly discontinued with the outbreak of the War, was slightly improved in the summer of 1915, exceeding 500,000 puds. For that

[16] Raffalovich, *Relations financières de la Rulise avec la France et la Grande Bretagne,* Prague, 1922, pp. 11 *sqq.*, 20 *sqq.;* Raffalovich, *La Dette Publique Russe* in *La Dette Publique de la Russie,* Paris, Payot, 1922, pp. 43 *sqq.;* Ribot, *Lettres à un ami, Souvenirs de ma vie politique,* 1924, pp. 87 *sqq.*

reason elaborate preparations were made for the campaign of 1916. From the opening of that year the problem of the export of Russian flax was discussed by the Russian organizations interested. The Permanent Council of Flax Manufacturers decided to send a special delegate to Great Britain, in order to study the conditions of the flax market. The chief organization of the flax-growing coöperative societies (*Tsentralnoe Tovarishchestvo Lnovodstva*) opened negotiations with British, French, and Japanese firms during February and March 1916. In the meantime, Great Britain issued regulations prohibiting the purchase and sale of Russian flax without permission from the Government. This measure was designed to concentrate the importation of flax from Russia in the hands of the trade organization controlled by the British Government. In pursuance of this policy, in the spring of 1916 it was decided to entrust to four old-established British firms in Russia the purchase of Russian flax and its export to London; the unification of trade machinery made it possible to control prices and to adjust imports to the demands of the British market. These measures met with a lively protest from Russian flax-growers and exporters. During the summer of 1916, on the initiative of Russian organizations, the Council of Ministers decided it was necessary to issue an order that the purchase of raw flax in Russia should be carried on exclusively through the amalgamated trade organization attached to the Committee on the Flax and Jute Industry. In spite of this order, to which objection was immediately made by the British and French Governments, the four British firms authorized by the British Government continued to purchase Russian flax. The amalgamated Russian organization created by the Russian Flax Joint-Stock Company (the largest Russian firm) and the Central Association of Flax-Growers (the central organization of the Russian coöperative societies) stated that the Russian Government should make it clear to Great Britain that the purchase of flax might be carried on only through the amalgamated organization, and that the flax purchased by that organization would have priority, with reference to shipments abroad, over that purchased by the four British firms. The Russian Ministry of Foreign Affairs lent its support to the Russian objectors, with the result that the British and Russian Governments signed an agreement dealing with the joint purchase and export of flax. In anticipation of the season of 1917-1918 the basis of this agreement was extended

further. The export of flax during the summer of 1916 was almost double that of the preceding year, and in 1917 increased almost three times, compared with the export for 1915.[17]

The foundation of the organization created in 1916 to 1918 for the export of flax—the amalgamation of the two trade systems, the one authorized by the British and the other by the Russian Government—bears the imprint of the peculiar general conditions under which Russia's export trade was carried on during the War. The dual government control over the export of flax was made possible only because private trade was completely restricted and powerless in the face of Great Britain's control of shipping and the Russian Government's hold on distribution through the export licenses.

There is no doubt that the attempts to organize Russian export in the interest of allied countries and under immediate government control were based on a general policy which was highly characteristic of the economic position of Russia, an active participant in economic war and at the same time a sufferer from its effects.

4. *Russian imports and the part played by war supplies.*

The part played by government control becomes still more important when we deal with the problem of Russian imports. But before we examine the rôle of government intervention we must consider certain general facts in connection with Russia's import trade.

I have already said that Russian imports increased rapidly during the War and at the close of the War were far in advance of their pre-war volume. We also know that the bulk of Russia's import trade was concentrated in the hands of four powers—Great Britain, France, Japan, and the United States of America.

The explanation of these developments—the growth of imports and their concentration in the hands of these four countries—presents no difficulties. Even without examining statistical returns one

[17] Data on the organization of the export of flax are given in *Promishlennost i Torgovlya,* 1916, no. 9, p. 261; no. 10, p. 291; no. 14, pp. 417-418; no. 20, p. 588; nos. 34-35, pp. 186, 188; 1917, no. 1, p. 25; nos. 12-13, p. 263; nos. 36-37, p. 198; for a detailed survey of the conditions of Russian flax industry during the War *cf.* Tretiakov, *The Textile Industry in Russia during the War,* a monograph appearing in the Russian Series of the *Economic and Social History of the World War.*

may safely assume that the increase in import trade was due to the increased military demand and that it was concentrated in these countries because they were in a position to supply the commodities needed for the army. This assumption is fully supported by Russian customs returns.

Although the classification and nomenclature of Russian customs tariffs does not allow us to trace what particular goods entered the country as military supplies, and it is therefore impossible to extract from statistical records information on the changes which took place during the War in the selection of commodities entering the country, nevertheless these data give an excellent illustration of the altered trend of separate groups of imports having to do with military supply. In the category of raw and semi-manufactured goods let us take copper, and in the group of manufactured goods: leather boots, iron and steel goods, machines made from cast iron, iron and steel, woolen goods, and automobiles,—goods undoubtedly needed for the army and as certainly used for the equipment of the army and of mobilized industry. We have the following figures for these commodities for each year of the War:

	1914-1915	*1915-1916*	*1916-1917*
		(*in thousands of rubles*)	
Copper	4,129	29,773	70,590
Leather boots	5,084	33,063	104,296
Iron and steel goods	5,051	37,959	71,775
Machines	22,473	56,935	96,110
Woolen goods	5,370	29,064	104,300
Automobiles	5,182	17,090	36,608

These illustrations are sufficient to show that the growth of Russian imports during the War was due to the increased demand of the army. Overcoming all the difficulties created by the maritime economic war, the allies of Russia sent to Russia all she needed to carry on the struggle. The normal factors of foreign trade were pushed into the background and their place taken by exceptional influences.

These fundamental features of Russian war-time importation explain other changes which took place in the delivery of foreign goods on the Russian market.

The centers from which goods were imported into Russia during the War were closely dependent on the demands of military supply.

The largest volume of import trade came from those countries which supplied Russia with arms and military equipment. It goes without saying that the history of Russian military supply in time of peace lies outside the scope of this investigation; on the other hand, in order to describe the character of the sources of Russian imports, I must at least give the general outlines of the organization of Russian military supply which grew up during the War. It was determined by three main factors. First, the state of production in various countries, allied or neutral; secondly, the financial resources from which Russia could pay for her military purchases; thirdly, the means of transport of such supplies to Russia. The combination of these three factors resulted in the establishment of the Anglo-American hegemony during the War over Russian foreign trade, which has been mentioned above.

Let us examine the influence of these factors in each of the countries from which commodities were imported into Russia. We shall begin with France. Russia had sufficient financial reserves in France to allow her to import war materials from that country. Under the financial agreement concluded between the two countries in February 1915 and amended in October of the same year, France opened credits to the amount of 625 million francs in the name of the Russian Government, and from October 1915 a monthly credit of 125 million francs for the purpose, first, of meeting the payments due on coupons of Russian loans placed in France and of redeeming such loans when due, and, second, to provide for the payment for military supplies ordered or purchased in France by Russia. The full amount of these credits was not made use of by Russia. Their total sum, from February 1915 to September 1917, amounted to 3,500 million francs; appropriations to the amount of only 2,865 million francs were made against these credits, but the sum actually drawn was still smaller. Russia accordingly proved unable to use the total amount of credits opened to her order in France, this being due to the impossibility of France accepting orders to equal the amount of credit left after the redemption of coupons on Russian loans. Under the financial agreement, purchases and orders were to be made with the consent of the French military authorities. Because the latter had to reckon with the requirements of the French army, and because the products of the French factories exceeded the home demand by only a narrow margin, Russia's chance of importing war

materials from France remained very small, in spite of the funds available for this purpose. By the time the War ended on the Russian front, the total amount of war materials purchased in France against French advances reached the sum of 1,432 million francs. Because of the relative insignificance of Russian purchases and orders placed in France the difficult problem of communication with that country remained of secondary importance. It will be enough to say that in 1916 the volume of French goods imported into Russia via Archangel, for instance, amounted to 12 per cent of the total importations through that port from Great Britain, the United States, and France.[18]

The situation in Japan was of a different sort. There Russia had not the same financial facilities. In virtue of the financial agreement with Great Britain of 1915, Great Britain authorized Russia to place orders in Japan against the British account to a sum not to exceed £6,000,000. The Russian Government also concluded loans with Japanese bankers to the amount of $110,000,000 (in addition to a credit of $37,000,000 allowed Russia by the manufacturers of war supplies). Russian credit in Japan, therefore, was less than one-third of that allowed her in France. Moreover, importation from Japan was practicable only by way of Vladivostok. The capacity of the port at Vladivostok, as well as that of the trans-Siberian railway, was limited. Finally, the development of Japanese industry was far below the standard of Russia's great western allies or of the United States. This explains the relatively modest volume of Japanese imports, even in comparison with the imports via Vladivostok from the United States, concerning which statistics were given above.[19]

Great Britain and the United States were in a most favorable position for organizing the supply of Russia. They should be considered together, because the furnishing of supplies to Russia by the United States was chiefly financed by Great Britain and was carried out under her control; for that reason the Anglo-American countries may be considered a unit from the point of view of Russia's supplies of war materials.

[18] Raffalovich, *Relations financières,* pp. 9 *sqq.*, figures of imports via Archangel; Fayle, *Seaborne Trade,* III, p. 33.

[19] Fisk, *The Inter-Ally Debts,* Bankers Trust Company, New York, 1924, pp. 143 *sqq.*

The credits opened to Russia by the United States were relatively small. Before the United States entered the War, the Russian Government succeeded in obtaining loans from American banks, especially from the National City Bank of New York, to the amount of $90,000,000. After the United States entered the War, Russia was allowed a credit of $325,000,000, of which $188,000,000 were drawn before the Revolution of October 1917; with the advent of the Bolshevik Revolution, the credits were closed. But a substantial part of the large credits opened by Great Britain was used for meeting obligations resulting from Russia's purchases in the United States.

By virtue of the financial agreement between Great Britain and Russia of 30th September 1915 the former put at the disposal of the Russian Government a monthly credit of £25,000,000 from October 1915 to September 1916. By the agreement of 27th October 1916 the monthly credit of £25,000,000 was extended. If we take into consideration that, before the conclusion of the first general agreement, the Russian Government obtained from Great Britain a number of small credits to the amount of £102,000,000, the total sum of British credits from the outbreak of the War to the Bolshevik *coup d'état* reached the sum of £569,300,000.[20] There is no doubt that these large financial resources account for the organization of Russian military supplies abroad and for the growth of Russian imports.

To the financial factor we may add other conditions which were favorable to the furtherance of importation from Great Britain and the United States. Since Great Britain had at her command a large commercial fleet, she undertook the organization of shipments to Russia, especially to Archangel. Out of a total tonnage of 2,470,000 tons sent to the ports of the White Sea by Great Britain, France, and the United States during the navigation season of 1916, 1,650,000 tons, that is, about two-thirds, flew the British flag. Demands on British shipping were made not only by France, but even by the United States. Russia's demand for tonnage was enormous, but

[20] Raffalovich, *La dette publique*, pp. 47 *sqq.*; Fisk, *op. cit.*, pp. 133 *sqq.*, 145 *sqq.*; *cf.* also Paul N. Apostol, *Credit Operations of the Russian Government during the War*, in the volume *Russian Public Finance during the War* (Yale University Press, 1928), in this series of the *Economic and Social History of the World War.*

Great Britain, straining her resources, managed to keep pace with it.[21] Finally, the fact that American industry, occupied for some time with the furnishing of supplies to the foreign belligerent nations, was able to provide Russia with commodities which could not be obtained from her allies, was of no small importance.

Thanks to all the factors discussed above, it will be seen that the existence of the Russian import trade during the War was chiefly and primarily a consequence of the supplying of Russia with war materials by Great Britain and the United States.

The Russian Government endeavored to maintain this condition of the import trade and took vigorous action to prevent it serving any purposes other than those of war. This action was twofold. One phase of it took the form of control over foreign moneys necessary for purchases abroad, which was established in 1916 and with which we are already familiar. All transactions in foreign moneys had to have the approval of the Russian Minister of Finance; all foreign money obtained in payment of exports must be handed over to him. Another series of measures consisted of the control of goods imported to Russia by the chief trade route still open—the White Sea. A law was published on 25th October 1916 in virtue of which no goods could enter Russia through the ports of the White Sea unless by special permission of the Government; cargoes which reached such ports without permission were liable to confiscation.[22] But this was not enough. In the autumn of 1917, the Government decided that freights addressed to private importers would be allowed to enter the ports of the White Sea only in those cases where the consignee was on the list of government departments or public organizations working for national defense.[23]

5. *The Committee of the Russian Government in London.*

The Anglo-American import trade underwent a reorganization which was highly characteristic of the war-time economic policy. This was carried out under the direct control, exercised simultaneously, of the Russian and British Governments through the so-called

[21] Fayle, *op. cit.*, II, pp. 212 *sqq.*, 351 *sqq.*; III, p. 33.

[22] *Sobranie Uzakoneni*, 1916, Art. 2399.

[23] *Announcement of the Chief Administration on Foreign Supply*, published in *Promishlennost i Torgovlya*, 1917, nos. 32-33, p. 132.

Russian Government Committee in London. The origin of this organization was as follows.

Early in February 1915 a conference of the three allied Ministers of Finance, MM. Ribot, Bark, and Lloyd George, took place in London. Among other decisions directed to the coördination of allied finance it was resolved that all orders and payments in the United States should be centralized in the hands of a special organization created for that purpose.[24] The idea as including all the allies was not carried farther, since no additional inter-allied financial conferences in which all the Allies were included was called until 1918. The treatment of the question was carried on between Russia and Great Britain when M. Bark visited London in September 1915. One of the chief wishes, expressed at that time by Mr. MacKenna, who succeeded Lloyd George as Chancellor of the Exchequer, was for the establishment of a definite procedure in placing orders with the United States; he expressed the view that the Allies were competing with each other on the American market and also in obtaining necessary funds in London. The revision of this situation was a *conditio sine qua non* in obtaining the financial aid of Great Britain. Similar provisions were made with France and it was necessary that all orders should be concentrated in London and that the British Government should be made aware of the amount of payments, their destination, and the time when they would fall due. British financial support was for Russia a matter of such importance, that it was out of the question to reject the suggestion of Mr. MacKenna. The financial agreement signed on 30th September 1915, providing the Russian Government with monthly credits of £25,000,000, embodied the suggestion of Mr. MacKenna of bringing under British control the shipping of supplies to Russia from the United States, as well as from Great Britain. The organization of this control is dealt with in a special appendix to the agreement of 30th September 1915.

This document exceeded the scope of a purely financial agreement. Even if a war purchase did not necessitate an appropriation

[24] On the conference at Paris *see* Raffalovich: *La dette publique,* pp. 40 *sqq.; Relations financières,* pp. 10 *sqq.;* Ribot, *op. cit.,* pp. 79 *sqq.; cf.* also Etienne Clémentel, *La France et la politique économique interalliée,* in the French Series of the *Economic and Social History of the World War,* and the volume on *Russian Public Finance during the War* (Yale University Press, 1928), in the Russian Series.

from British credits, it was nevertheless subject to British control in so far as the order was placed in Great Britain or the United States. The loan made to Russia by Great Britain, therefore, resulted in the establishment of British control over the furnishing of all supplies to Russia by Anglo-American countries. This result, which may appear unexpected at first glance, can be easily explained: in practice most of the orders placed in Great Britain and the United States were paid for from the British credits, so that these credits became a powerful weapon for exercising pressure upon the Russian Government in order to force its acceptance of arrangements which were considered necessary in London for the smooth working of shipments to Russia from abroad.

The institution of such a control naturally restricted the freedom of the Russian Government and did not excite any particular enthusiasm. This explains the very careful wording of the agreement which tried to ease at least the verbal expression of the restrictions imposed upon the Russian Government. The first four clauses of the agreement were worded as if the introduction of the British control were due to the mere desire of the Russian Government to consult with the allied British Government on matters relating to military supplies. They read as follows:

"(1) The Russian Government have decided that in future all proposals for purchasing on Russian account, whether in the British Empire or in the United States of America, shall be examined in London. (2) For this purpose the Russian Government will appoint in London such experts as they may consider necessary, who shall have in general full powers to sign contracts in the name of the Russian Government. (3) The British Government will place at the disposal of the Russian representatives such information as they may have respecting sources of supply and the prices paid by them, and will afford them every assistance in their power with a view to ensuring that their purchases shall be made under the best conditions obtainable. (4) In order that full advantage may be taken of the information thus placed at their disposal, the Russian Government will arrange that no contract shall be made in the British Empire or in America without their accredited representatives in London having cognizance of its main conditions and that, as far as possible, all such contracts shall be registered and signed by them."

It may appear therefore that the Russian Government volun-

tarily centralized its British and American purchases in London, and that the British Government put itself at the disposal of Russian agents to facilitate such purchases. If the agreement of 1915 contained nothing but these provisions, one could maintain that the furnishing of supplies to Russia remained free. But the first four clauses are followed by three more which turn the whole agreement into an organization of British control over Russian purchases.

The first of them deals with purchases from British credits: "(5) No purchases on Russian account, for which payment is to be made from credits furnished by the British Government, shall be made without the formal authorization of the competent agent appointed by the Russian Government in London, acting *in consultation* with the competent authority appointed by the British Government." Here the control is introduced in a categorical form: no purchase shall be made without "consultation" with the British authority.

Farther on, where the agreement deals with purchases in general irrespective of the funds from which payment shall be made, the wording is not quite so precise, though the situation remains substantially the same: "(6) Purchases of war materials will be made by duly authorized representatives of the Russian Government acting *in consultation* with competent authorities of the British Government. Such consultation shall be effected through the medium of the Committee already appointed by Lord Kitchener at the War Office. (7) Purchases of all other war materials will be made in like manner by the appointed representatives of the Russian Government, the *Commission de Ravitaillement* acting *in consultation* with the Representatives on that body of the various Departments of the British Government."

"Consultations" with British authorities, therefore, were obligatory not only in the case of payment for purchases from British credits, but also in the case of all other purchases of war materials in Great Britain or the United States.

The Russian agency which was to be created in London, by virtue of the agreement of 30th September 1915 to serve as an intermediary between Russia and Great Britain in matters of military supply, was organized under the name of the Russian Government Committee in London. Its statute was sanctioned by the Russian Council of Ministers in the minutes of its proceedings of 4th March and 12th April 1916; it was amended by detailed regulations prepared by the

Committee itself on 13/26 October 1916 to which was attached an instruction "on the procedure for placing abroad orders paid for from the credits furnished to the Russian Government by the British Government." The London Committee maintained a large staff and a complex organization; it concentrated in its hands the military supply of Russia, and therefore the largest portion of the war-time foreign trade. The purpose of the Committee was described in its statute as "the placing of orders abroad, the carrying out of purchases and other commissions of the Russian Government relating to national defense, as well as assistance in placing abroad the orders of public organizations and private firms working for national defense" (Article 1). It was the Committee's special duty to carry on all negotiations with the British Government relating to questions of supply, to the placing of orders and the making of purchases, to payments, to the supervision of the foreign currency put aside for this purpose, to information as to what goods were available in Great Britain, to the reliability of foreign firms, to supervision of the execution of orders placed in Great Britain (Article 3). One may add that in addition to the direct duties just described, the Committee was also in charge of shipping; a special Transport Department was set up within the Committee and concentrated in its hands all matters connected with the shipment from Great Britain and America of materials and supplies purchased for the purpose of national defense (Article 7). This function of the Committee which was not immediately derived from the financial agreement with Great Britain, naturally increased still further its influence on the organization of the military supply of Russia.

The machinery of the Committee's work was as follows. The Government Department in Petrograd which proposed to make an order on account of British credits sent to the Committee its application accompanied by a certificate authorizing payment, issued by the so-called "Foreign Exchange Committee" (*Valyutnaya Kommissya*), the Petrograd governmental body in charge of the appropriation of foreign credits. On receipt of the demand from Petrograd, the London Committee negotiated with the British authorities in order to obtain the appropriation and the license necessary for exportation and, in certain cases, for the placing of the order through the agency of the British Government. As a matter of principle, therefore, every order and every purchase was subject to a twofold British control:

first, as to payment, and second, as to shipment. If we take into consideration that every order or purchase originating in Petrograd had to go through a number of government departments and that it had to follow the same procedure in London in the British governmental departments to which it was transmitted by the Committee, the extreme complexity of the machinery of Russia's military supply is made clear. A simplified procedure was adopted for certain classes of military supply (for instance, rubber, metal, medical goods, machines, plants, and instruments), but these exceptions did not affect the general character of the system.

The Russian Government Committee in London, together with a similar committee in the United States, established in 1917 after the opening of American credits, became the chief importer of foreign goods into Russia. This importer, as we have seen, was working under the supervision of Great Britain, who therefore succeeded in establishing her control over the larger section of the Russian import trade.

CHAPTER VIII

RUSSIA AT THE PARIS ECONOMIC CONFERENCE OF 1916 AND THE PROGRAM OF THE POST-WAR ECONOMIC STRUGGLE

1. *Origins of the Paris Economic Conference.*

For a long time the policy under which the economic war was conducted was not understood to be a single whole, a *system* in the proper sense of the word. It was composed partly of liberal interpretations and the unrestricted use of certain war-time measures sanctioned by the tradition of previous struggles, especially at sea, and partly of measures dictated merely by expediency. But gradually, while private measures directed against enemy economic interests acquired increased importance and purely military operations were losing their decisive character and had become hopelessly protracted, economic war began to appear to all nations concerned as an independent organization. Here lies an explanation of the attempted joint discussion by the Allies of a program of economic war and of the codification of methods and practice. The most characteristic feature of the development of the system at that time was undoubtedly the tendency to extend its operation to the period after the War. The economic war from a purely war-time weapon became a part of the program for peace. This plan for the future was prepared by public opinion in each of the countries of the anti-German coalition and then took shape at the Paris Inter-Allied Conference of 1916, a well-attended and widely advertised assembly of delegates of all the allied countries, and an outstanding landmark in the development of the economic doctrine of the World War.

The Paris Economic Conference held on 14th to 17th June 1916 was preceded by an inter-allied conference which took place in Paris in March of the same year, a purely military and diplomatic conference unconcerned with the problem of economic war.

The allied conference of March was one of the numerous conferences by which the Allied Governments tried to remedy the lack of unity of military and political leadership which was so keenly felt during the War. This conference did not differ from a number of

other similar gatherings; coming at the same time as did the military operations around Verdun, it was marked by depression and anxiety. The moment was very well chosen. It was felt that the end of the War was still far away and that it was the proper time to make declarations of principle. The chief resolution of the allied conference, dated 27th-28th March 1916 and drafted by Léon Bourgeois, speaks of "united action on the united fronts," united military action, united economic action, and united diplomatic action. The resolution went on to say that the unity of economic action was brought about by this conference, and then it explained in detail how this result was to be achieved. A committee was to be set up in Paris for the purpose of restricting the supply of enemy countries; the Conference confirmed the negotiations already under way, relating to a central bureau of shipping in London, and instituted new negotiations on the improvement of conditions of maritime transport. Moreover, the Conference passed the following resolution: "The Allied Governments have decided to apply to practice in the field of economics their solidarity of view and interests. They entrust the economic conference, to be called in the near future at Paris, with the task of drafting measures suitable for the realization of this solidarity."

One must admit that this fundamental resolution did not in itself amount to the "unity of economic action." "The solidarity of views and interests" proclaimed by it was really very incomplete, as may be clearly seen from the minutes of the Conference. Sonnino sternly opposed the discussion of all measures dealing with an economic policy to be carried on after the War, making it clear that Italy wanted to preserve her freedom in that respect.

The Russian Government was represented at the Conference by M. Izvolsky, Russian Ambassador at Paris, and General Zhilinsky. A few days before the Conference, having learned that it was proposed to discuss economic matters, Izvolsky telegraphed to Petrograd asking for instructions. The reply he received from Petrograd (telegram of Sazonov, of 13/26 March 1916) shows how little economic war was understood in Russia in the form it took in Great Britain and France. "We are unable," reads M. Sazonov's reply, "to provide you with detailed instructions relating to a stricter blockade of Germany, as we have no information as to the measures contemplated by the Allies. Up to now we have formally enforced all lists

of contraband issued by the Allies and there is no reason why we should depart from this course in the future, but by the force of circumstances our participation in the struggle with enemy contraband is very limited. For political and military reasons we must recommend a certain amount of caution in dealing with Sweden. From the viewpoint of our relations with Sweden our opinion on any specified measure cannot be given until we are informed of the contents of such a measure."

In accordance with this instruction General Zhilinsky at the session of 27th March delivered a short speech urging caution in dealing with Sweden. Russian delegates made no other pronouncements, and Izvolsky, in his detailed report after the Conference, wrote to Sazonov as follows (letter of 17/30 March 1916): ". . . The question of restriction of imports to enemy countries discussed by the Conference did not call for the immediate participation of the Russian delegation, and we therefore limited ourselves to General Zhilinsky's statement explaining the reasons for which we would like a certain amount of caution in dealing with Sweden. At the end of the Conference I considered myself empowered in virtue of the general instructions given to me to agree to the appointment in Paris of a committee of the allied countries to deal with this problem."

It may be said, therefore, that Russia took but a small part in the creation of the united economic front, merely agreeing to the proposals made by other nations.

2. Russia and the codification of measures for the conduct of economic war.

The somewhat reserved attitude of the Russian Government toward the preparation of the inter-allied program of economic war, which found its expression in the correspondence dealing with the March Conference, gave place to a very deep interest in the program itself as soon as the list of questions which the French Government intended to submit to the proposed economic conference reached Petrograd. Indeed, this list, in addition to questions connected with the blockade of Germany, that is, questions with which Russia was dealing according to her own methods and regarding which she was little concerned whether or not they were made the subject of united action by her allies, included also problems of post-war economic

policy. These problems attracted great attention in Russia, and their discussion at the proposed conference was bound to excite considerable interest on the part of the Russian Government and public.

The program for the Paris Economic Conference drafted by France consisted of three parts: (A) measures for use during the period of the War; (B) transitory measures to be taken up during the period of commercial, industrial, agricultural, and maritime reconstruction of the allied countries; and (C) permanent measures of mutual assistance and collaboration among the Allies. Parts B and C, as we have pointed out above, dealt with the proposed extension to peace-time use of a war economic policy, and they raised a number of problems of primary importance to the economic policy of Russia.

Before we examine the fate of this post-war program in Russia and at the Conference, we must consider the attempted inter-allied organization of the current economic war connected with Part A of the program of the Paris Conference.

Considering certain measures of economic war from the point of view of their application in Russia, I shall have to touch upon the influence exercised upon them by the Paris Conference and the comments they provoked in Russia. For the present, I must leave aside all details and show the general attitude of Russia toward the attempt made in Paris to systematize economic war.

Part A of the program read as follows: "Measures for the period of the War. These measures, in consideration of the closer coöperation of the allied action, must tend to the economic isolation of the Central Empires, on the one hand, and to the development of the economic activities of the Allied countries, on the other. They most particularly include: (1) coördinated and stricter regulations prohibiting trade with the enemy; (2) adoption of measures as uniform as will prove practicable relating to the sequestration of certain establishments, and examination of the problem of their liquidation; (3) regulation of restrictions on imports and exports, as well as of exceptions which might be allowed to such restrictions."

On the receipt of this program in Russia, the Russian Government appointed a committee under the chairmanship of M. Pokrovsky, who was to lead the Russian delegation at the Conference (M. Pokrovsky eventually became for a short time Minister of Foreign Affairs and later was State Controller); the committee consisted of

representatives of government departments and of the various organizations concerned, and of technical experts. The committee collected voluminous material which served for the preparation of an *Instruction* for the Russian delegates to the Conference, a document undoubtedly presenting considerable interest as indicating the Russian attitude toward economic war and the post-war outlook. The Instruction was confirmed by the Council of Ministers; and, armed with it, the Russian delegates went to the Conference in the summer of 1916.

Let us examine this document in order to find out the attitude of the Russian Government toward Part A of the program of the Conference. The drafting of the Instruction gave an opportunity to the Russian Government to sum up its war-time legislation and to compare it with similar legislation in other countries. The conclusions it reached were optimistic in all respects.

To begin with, the Russian system of measures for the elimination of enemy nationals from the civil, commercial, and industrial intercourse of the country was described by the instruction as "developed and broad." The delegates, therefore, were instructed to keep in mind "that the coördination of measures proposed in these paragraphs of the program (Clause A, paragraphs 1 and 2), as well as the adoption of measures as uniform as practicable in dealing with sequestrated establishments and measures for their liquidation, would, on the one hand, be difficult to carry through (as a result of a large variety of legislation dealing with sequestration of property), and, on the other, could evolve only in the direction of further restrictive legislation in allied countries." With reference to Paragraph 3 of Section A relating to the regulation of imports and exports, the Instruction went on to say that the regulations on the import of goods "now in force must continue without alteration," and that the Russian organization of export was also satisfactory. The regulation of exports to neutral countries alone raised certain doubts and the delegates were instructed to pay special attention to this problem and to ascertain the views of the Allies on the matter; it was particularly recommended to suggest the rationing of such countries as Sweden, Denmark, and, especially, Rumania.

Russian delegates took no prominent part in the discussion by the Conference of Part A of the program. I have described in Chapter III their part in the discussion of prohibition of trade with the

enemy, and the result of this discussion in the sense of a revision of Russian legislation. Russian delegates voted for other measures proposed by France and gave short explanations of Russian methods of economic war. They brought forward only one independent proposal, that dealing with enemy landed property. In connection with the French proposal that the Allies should devise measures to deal with the situation created by the conduct by enemy nationals within their territories of occupations and pursuits involving national defense and economic independence, a proposal introduced as a part of the discussion of Part B of the program relating to the transitory period, M. Pokrovsky suggested that the limitation of the right of enemy nationals to purchase land and mines should be included in the list of measures for use in the future. He was opposed by Bonar Law and M. Daneo, the Italian delegate, who were supported by the representative of Japan. The Russian delegates defended their proposal with the following argument (quoted from the minutes): "M. Pokrovsky believes that as the proposed article purports to establish new measures which have not as yet been included in their [the Allies'] legislative enactments, there is no reason why they should not adopt the one which is submitted in the amendment. This measure has already been applied in Russia. M. Raffalovich adds that this is proof that Russia desires to share the benefit of her experience with her allies. Of course they are under no obligation to follow her example. It appears, however, that the measure in question is extremely wise and farsighted. Experience during the present War has proved that restrictions on landed property are of a nature to render the greatest service to the State which has within its territory foreigners who by reason of the War have become enemy aliens."

This argument did not convince its opponents, and the chairman of the Conference recorded the divergence of opinion (session of 15th June 1916). At the next session the question was finally disposed of by a decision in virtue of which the amendment proposed by the Russian delegates and their explanations should be recorded in the minutes of the Conference (session of 16th June 1916).[1]

[1] *Conférence Économique des Gouvernements Alliés tenue à Paris les 14, 15, 16 et 17 Juin 1916,* Paris, Imprimerie Nationale, 1916, pp. 51 *sqq.*, p. 65. Publications on the Paris Conference are not founded on a first-hand knowledge of what took place but are based on newspaper reports. *Cf.* Jastrow, *Völkerrecht und Wirtschaftskrieg,* 1917 (*Ergänzungsheft zur Zeitschr. für*

Thus Russian reform of war legislation, the "Russian experiment," to use the expression of M. Raffalovich, found no support in other countries.

The examination of the recommendations of the Paris Conference relating to measures of economic war in the strict sense of the term (in connection with Part A and certain paragraphs of Part B) lies outside the limits of this work. These recommendations are well known and Russia had a certain small part in formulating them. With the sole exception of the prohibition of trade with the enemy, discussed above, they had no effect on Russia's policy relating to economic war.

3. *Program for the post-war struggle: attitude of Russia.*

I have already said that the section of the program of the Paris Economic Conference dealing with a post-war economic policy attracted a considerable amount of interest in Russia. In this field the initiators of the Conference raised problems which were of primary importance to the Russian Government and to the future economic development of Russia. Long before the War they had already been carefully studied in Russia. Industrial and agricultural organizations, experts on economics, and the Government had been making preparation for the revision of trade treaties, especially of the treaty with Germany which, as is well known, was a central factor in Russian commerce. Interest in this problem was increased with the outbreak of the War; it was clear that new trade treaties would need to be framed, not by means of the customary negotiations, but under the extraordinary conditions of the coming Treaty of Peace. The purposes of economic war were, therefore, the same as those of war in general.

One of the most influential representatives of the Russian Ministry of Commerce and Industry, M. Langovoy, Assistant to the Minister, who rightly enjoyed the reputation of being the greatest authority on Russian customs tariffs and trade treaties, published at the beginning of the War a pamphlet entitled "What are we fighting for?" (*Vo imya chego mi srazhaemcya?*). This pamphlet developed a program of future Russian trade treaties, the contents of

Völkerr. X); Kahl, *Die Pariser Wirtschaftskonferenz vom 14 bis 17 Juni 1916;* Jena, 1917 (*Kriegswirtschaftliche Untersuchungen,* XIII).

which I shall leave on one side for the time being, but which are very characteristic in one respect: Langovoy's program included nothing directed specifically against Germany; on the contrary, the author maintained the necessity of restricting imports from all foreign countries, irrespective of whether they were allies or enemies. In the opinion of the author the purpose of the War was to rid the country of all foreigners. He adapted his program to the War, and he was partly justified, because in the future Germany would be the most important consideration in Russian trade. The essential parts of his program would have remained unaltered even if there had been no war. This attitude was highly characteristic of the whole war-time discussion of Russia's post-war economic and political future. The War was a pretext for discussing the future of Russian trade, rather than a point of departure in such discussions.

In harmony with this general tendency which may be traced in the authoritative exposition of the Russian economic program, the influence of purely war-time psychology, of what may perhaps be described as the *projection* of war upon the economic program of peace, was very slight.

The most prominent Russian economists and business men with a few exceptions supported the idea of preserving in the coming treaties the principle of the most favored nation and the granting of this status to Germany. "I do not believe it possible," wrote M. Timiryazev early in 1916, "to establish a double tariff after the War, one favorable to the Allies and a higher one for Germany and Austria. After peace has been concluded it seems hardly desirable to deprive Germany of the position of the most favored nation."[2] M. Timiryazev was a former Minister of Commerce and Industry, the chairman of the Permanent Council of the Congress of Industry and Commerce, who with Count Witte signed the Russo-German trade treaty of 1904; his opinion carried considerable weight. M. Langovoy, member of the Government, in his pamphlet already mentioned, expressed a very similar view: ". . . for the success of our foreign trade," he writes, "it is necessary and at the same time sufficient to avail ourselves on the foreign markets of the right of most-favored-nation treatment, and to confer similar privileges to coun-

[2] Collection of essays *Voprosi Vneshnei Torgovoi Politiki v Russkoi Povremennoi Pechati* (*Problems of Foreign Trade in the Russian Press*), published by the Ministry of Commerce and Industry, Petrograd, 1916, p. 219.

tries trading in our markets."[3] In his essay *The Necessity of a Plan for Trade Policy*, the gifted young economist, M. Bukshpan, in the autumn of 1915, criticized the idea of departing from the principle of the most favored nation as suggested in western Europe: "The proposed economic coalition of the Powers of the quadruple entente and the idea of an allied tariff are, so far as they have been advanced in France and Italy, in too vague a form. Neither the article by Théry in the *Matin*, nor its echo in Germany, gives sufficient ground for passing a judgment on this important proposal. Our principal doubt as to how far an 'allied tariff' will prove acceptable to us is caused by the lack of coördination in the Anglo-Russian political and economic relationship, and the indefiniteness of the economic compensations which might be offered to us by a treaty with free-trade Great Britain."[4] The author's argument was a weighty one, and we shall see that it was to be adopted by the Russian Government when Russia was called upon to make an official pronouncement regarding the proposed inter-allied preferences. Another economist, Professor Kulisher, writing at the same time, expressed the hope "that the few voices which are still heard in Russia speaking against the most-favored-nation clause will soon be quiet and that the demand that we should follow this principle in future treaties will gain general recognition."[5] Before leaving these excerpts, I should like to point out that in May 1915 the most authoritative organization of Russian industry, the Permanent Council of the Conference of Representatives of Industry and Commerce, in its report to the Conference,[6] expressed itself "for the inclusion in the coming Treaty of Peace of a clause providing for the unrestricted right of the most favored nation." One may add that this undoubtedly prevailing tendency in favor of the preservation of the most-favored-nation principle, as the foundation of future trade treaties, was combined with another tendency which still further emphasizes the first one, namely, the desire to abandon tariffs established by conventions and to pass on to a system of autonomous tariffs based on the French system of maximum-minimum tariff.

Only rarely were voices raised in favor of a preferential treatment among the Allies. "The unqualified extension to Germany of all privileges which we confer upon the allied and friendly nations, is

[3] *Voprosi Vneshnei Torgovoi Politiki v Russkoi Povremennoi Pechati*, p. 17.

[4] *Ibid.*, p. 83. [5] *Ibid.*, p. 54. [6] *Ibid.*, p. 105.

hardly desirable or reasonable," writes Leites in an article published early in 1915. "This suggests the question, whether it would not be worth while to adopt a provision to be found in certain American treaties which confer upon the other party the rights enjoyed by a third Power in return for a satisfactory equivalent."[7] The ultra-chauvinistic press, such as the *Novoe Vremya*, turned this idea into a war-cry, "Tariff union against Germany"; but outside these circles the idea of extending measures of economic war to hold good in time of peace met with little support.

4. *Instruction to the Russian delegation.*

In this state of public opinion the Russian Government had to make a pronouncement at the Paris Economic Conference in the summer of 1916 on the question of a post-war economic policy. The French program of the Conference in Parts B and C suggested decisions which might have considerable effect on the fundamental questions of Russian foreign trade. The program covered, as far as practicable, the whole post-war economic future. Paragraphs 2 and 6 of Part B, dealing with the transitional period, give an idea of the importance of the questions raised. Paragraph 2 suggested the preservation after the War of the resources of allied countries for the Allies primarily, then for the neutrals, leaving only the balance for export to enemy countries; Paragraph 6 proposed to discuss economic sanctions to be enforced against enemy countries during the period of reconstruction, to continue until they had settled the claims of the Allies for damages.

These provisions, which were intended to carry over into peace-time the principles of economic war, were discussed with particular thoroughness by the inter-departmental committee which was drafting the instructions for the Russian delegates. The stipulations provoked a great deal of suspicion as to the outcome of the Conference. The possibility of a coördinated post-war economic policy on the part of the Allies aroused apprehensions which may be traced in almost every phrase of the Instruction.

In spite of the fact that the delegation was headed by a member of the Cabinet, a man of wide departmental experience and one who had

[7] *Ibid.*, p. 6; Sobolev and Leontiev wrote in the same vein, *ibid.*, p. 63; Prince E. Trubetskoy less decidedly, *ibid.*, p. 183.

enjoyed an authoritative position in government circles, the Russian Government restricted his powers to a minimum and wished him to go to Paris as an observer, rather than as an active participator in the proposed Conference.

The Instruction, a voluminous document which contained replies to every question on the program circulated by the French Government, began with the following general statement of principles:

"(1) The representatives of the Russian Imperial Government are delegated to the proposed Economic Conference of the Allied Powers in Paris exclusively for the exchange of views with the members of the Conference on questions stated in Part II of this Instruction dealing with the period of the War and the period to follow the War. The delegates, therefore, will make themselves acquainted with the wishes of the representatives of the Allied Powers; will inform them of the measures taken in Russia against the countries with whom we are at war and their nationals; will formulate their own wishes; will obtain information on measures taken by our Allies against the common enemy, etc.

"(2) The representatives of the Imperial Government are not empowered to give the delegates of Allied Powers any definite promises as to our future economic policy and, particularly, as to the granting to them of any trade privileges; they are empowered, if necessary, to state that the Russian Government is willing to give favorable consideration to such wishes, on condition of reciprocal treatment, and on the understanding of course that they will not interfere with the freedom of the economic development of Russia."

There is no doubt that the source of these suspicions toward the plans on which the Conference was built was the question of future trade treaties. The whole Instruction is imbued with the fear that, as a result of the discussion of a systematic post-war economic policy, Russia might lose her freedom to make decisions concerning her tariffs. The authors of the Instruction were prepared to admit the idea that Germany might lose the status of the most favored nation so far as Russia was concerned, but they were reluctant to bind themselves under conventional tariffs even with Russia's allies. They feared that in connection with Paragraph 1 of Part B the Russian delegates might be asked about the future tariff policy of Russia and they lost no time in directing them as to how they should answer the question.

"As has already been stated," reads the Instruction, "the fundamental principle of our future economic policy, which is binding on us under any conditions and which we must endeavor to hold to, is the necessity of a thorough-going, unhindered development of our productive forces and the organization on as large a scale as will be practicable of our vast natural resources. By this method alone, shall we be able to rid ourselves of the onerous dependence upon foreign (especially German) markets and to guarantee the possibility of a larger export of our agricultural products and of the products of industries based on our natural resources which should result in an excess of exports over imports and therefore in the establishment of a favorable trade balance which is so important a factor in our settlements abroad.

"The achievement of this purpose which is vitally important for our economic development and for our national and political existence, is in harmony, as has already been stated, with the correct interpretation of the interests of our allies, because only an economically strong Russia will be in a position to struggle effectively side by side with her allies against future attempts of Germany on the economic freedom of Europe.

"The basis for the conclusion of our future trade treaties and the preparation of our system of customs tariffs will naturally follow the same lines. In order to avoid the enslavement of our industry by foreign enterprises and to make it absolutely independent, we must, as a first measure, create autonomous tariffs where the tariff on goods is not fixed by agreement with individual countries but is established by the legislative chambers in accordance with the needs of the country, which leaves us complete freedom to alter such tariffs in order to protect that branch of national industry which may need it.

"This autonomous (minimum) tariff will be applied first of all to our allies, thus creating for them a kind of preference. The possible objection, that the application of the aforesaid tariff to the Allies exclusively may lead to a tariff war with certain neutral powers which are said to import two-thirds of our exports, may perhaps be disregarded, because a large portion of our exports go to Finland and Asia, which remain outside the operation of our conventional agreements; it may also be possible to apply the autonomous (preferential) tariff to such of the neutral countries as will grant us most-

favored-nation treatment. The preferential tariff, therefore, will be denied exclusively to enemy countries, in whose case the rates of the autonomous tariff may be increased by as much as 100 per cent, varying in accordance with the duties imposed by such countries on our goods.

"If these measures have an adverse effect upon the export of our raw materials (it is possible that similar high charges will be levied on them by the Allies and other countries) one should not forget that in the general economy of a country the export of raw materials, as such, is not an altogether favorable proceeding, and that an infinitely sounder policy is the conversion, as far as practicable, of such articles of export into manufactured and semi-manufactured goods whose export is so much more advantageous; this can be achieved, however, only by the proposed autonomous protective tariff. Moreover, with the growth of the population and of home consumption, the decrease in the export of raw materials abroad will be fully compensated by the increase in the demand for such materials within the country, as well as by the conversion of raw materials into manufactured and semi-manufactured goods, which naturally depends on the creation of new industrial establishments and the influx of foreign capital for this purpose. In case of the necessity of importing certain commodities from abroad, the system of autonomous tariffs leaves us complete freedom to reduce the rates on the commodities concerned.

"In stating this view the delegates of the Imperial Government might, perhaps, in addition to the proposed preferential tariff (autonomous tariff), call attention to the fact that the Allies may be offered certain other preferences, for instance with reference to railroad freights for direct conveyance, the admission of foreign capital, conditions of transit, etc. Considering the extreme importance of the organization of exports to Russia, the Allies, on the other hand, should make arrangements for providing us with transport facilities, as well as for giving our exports a status similar to, or more preferential than, that accorded to their colonies, to America and to Argentina, which would allow us to abstain from renewing trade relations with enemy countries.

"If it proves necessary to touch upon the question of our future system of tariffs, the Delegates of the Imperial Government should remember that in order to avoid the straining of our relations with

our Allies they should be informed that this question cannot be definitely settled at the present time. The nature of future trade treaties may be decided upon only at a later time, in relation to the political situation which will arise as an outgrowth of the War, and only after a careful examination of all the problems of our foreign trade policy. At the present moment, the delegates should limit themselves to the exposition of the aforesaid views, making them as unobstructive as possible and emphasizing the fact that Russia, attempting the introduction of a system of autonomous tariffs, desires to apply it primarily to the Allies and then to those of the neutral powers which are prepared to grant Russia most-favored-nation status.

"Other details referring to this problem should not be discussed without obtaining instructions from the Imperial Government . . ."

If we compare the provisions of the document just quoted with public opinion in Russia, we must admit that the Instruction makes a considerable concession to the war psychology which inspired the actual program of the Conference at Paris. While public opinion held firmly to the idea that after the conclusion of peace former enemies should be allowed most-favored-nation privileges, the Instruction was willing to accept the suggestion of war tariffs against Germany. One cannot overlook the fact that the threatened loss of important markets for Russian raw materials was taken rather lightly by the Instruction. As a matter of fact, the substitution of the export of manufactured goods and the development of the home market for the export of raw materials was a purely academic compensation for the loss of the right of equality enjoyed by Russian grain in Germany.

5. *Debates and resolutions of the Conference.*

The program laid down in the Instruction was not carried out by the Russian delegation to the Paris Conference. On the one hand, questions were raised in a form other than that anticipated by Petrograd, and on the other, the chief Russian delegate, M. Pokrovsky, was guided rather by his own understanding of the problem than by the directions of the Instruction.

The Paris Conference was not a really businesslike meeting, taking decisions after careful examination on questions on its agenda. It lasted for only four days and voted resolutions prepared in ad-

vance, which dealt with matters of principle. It recorded the feelings, rather than the purposes and decisions, of the assembly, and passed no resolutions of a binding character.

But even in this simplified way of approaching problems the Conference was compelled to recognize that, if a unity of view existed among the Allies on questions of war economic policy, it entirely vanished as soon as questions of post-war policy were touched upon.

M. Pokrovsky, with his Petrograd Instruction in his pocket, was naturally bound to exercise particular caution in discussing matters of the future economic policy. His chief pronouncement at the Conference was devoted to the question of depriving enemy countries of the status of most favored nations as suggested by France.

Even on the opening day of the Conference, 14th June 1916, the first Russian delegate stated that its program touched upon questions of the future economic policy of the countries represented, that these questions were of the utmost importance, and that the resolutions of the Conference, therefore, should not be binding on the governments concerned.[8] M. Clémentel, French Minister of Commerce and Industry, who presided over the Conference, and M. Briand, then Prime Minister, who attended the opening session of the Conference, declared that they fully shared this view.

This, however, did not satisfy the Russian delegation, and when the discussion reached the question of the most-favored-nation clause in the future trade treaties, it definitely stated its views with regard to the independent nature of the future economic policy of Russia. At the third session (15th June), the Conference examined the formula proposed by Great Britain, providing for the compulsory denial of the most-favored-nation status to enemy countries. It read as follows: "Considering that the War has brought to an end all commercial treaties which bind the Allies to enemy countries and con-

[8] "M. Pokrovsky (Russia) states that the program submitted to the conference touches upon the future economic development of the allied countries. It raises, therefore, very important problems. These questions are outlined very vaguely in the programs handed to each delegation. They are so important that it seems hardly possible that the delegates could bind their governments by the resolutions they may be called upon to take. Consequently, M. Pokrovsky demands that the resolutions which may be taken by the conference should be submitted for the approval of the respective governments. Only after this approval—if such is granted—may votes passed by the conference be considered final." *Conférence Économique*, pp. 16 *sqq.*

sidering that it is of the greatest importance that during the period of economic reconstruction which will follow the cessation of hostilities none of them should be restrained by a treaty or any other act conferring upon enemy powers the right of claiming most-favored-nation treatment, the Allies have decided that no treaty or other act granting to one of such Powers the benefit of such treatment shall be put into force for five years after the War, either by a stipulation inserted in the Peace Treaty, or by a treaty or special agreement, or in any other manner whatsoever." Bonar Law stated emphatically that if this decision were not accepted the Conference would prove fruitless. In spite of this, immediate objections were made by two States. The Italian and then the Russian delegates declared that they were unable to accept this proposal because their countries would in the future be in need of the market represented by the enemy states. Russian objections, however, were expressed with some reservation by M. Pokrovsky, who said: "The commercial interests of Russia are dependent on her exports. Russia must export her grain. It is a vital question for her. The Russian delegation is primarily interested to know how the export of Russian agricultural products will be organized in the future. Up to this time these exports have gone chiefly to Germany; they have amounted to as much as 40 per cent of the total production of grain. The stipulation preventing the Allies in the future from concluding treaties with enemy Powers may result in the complete suspension of those exports and may place Russia in a too difficult situation. If Russia is assured of allied or neutral markets for the grain heretofore exported to Germany and also of the possibility of developing this export, she may perhaps be in a position to accept the five year period proposed by the British Delegation. But before taking this decision she must know what the obligations are into which she is entering."[9]

There is no doubt that, in making the refusal to conclude trade treaties containing the most-favored-nation clause with Germany and other enemy countries conditional on the granting of compensations by the Allies, the Russian delegate departed from the directions embodied in his Instruction. We have seen that the Instruction called for complete freedom in the concluding of future trade treaties. It seems clear that the atmosphere of the Allied Conference

[9] *Ibid.*, p. 39.

was such as to make it difficult to oppose the principles of Petrograd to the formula of Bonar Law and that it demanded other methods.

No serious and detailed examination of the problem raised by Pokrovsky followed: the Conference remained faithful to its method of slurring over its problems. But the proposal of Bonar Law was nevertheless revised and took form in Resolution B, II, which provided as follows: "Whereas the War has put an end to all the treaties of commerce between the Allies and the enemy Powers, and whereas it is of essential importance that during the period of economic reconstruction which will follow the cessation of hostilities, the liberty of none of the Allies should be hampered by any claim put forward by the enemy Powers to most-favored-nation treatment, the Allies agree that the benefit of this treatment shall not be granted to those Powers during a number of years to be fixed by mutual agreement among themselves. During this number of years the Allies undertake to assure to each other, so far as possible, compensatory outlets for trade in case consequences detrimental to their commerce result from the application of the undertaking referred to in the preceding paragraph."

From the Russian point of view this decision, if it were ever to be carried out, would mean a tremendous change in her economic policy. The old routes of Russian foreign trade were to be closed and new ones were to be substituted. It is true that the conditions under which the change was to take place were outlined rather vaguely. What did the promise to give her compensation "so far as possible" for the loss of enemy markets mean to Russia? The export of Russian grain to the allied countries was possible only after fundamental changes had been made in the fiscal policy of the Allies, especially of Great Britain, who would thus have to give up the free importation of grain, together with preferences in favor of her dependencies and most-favored-nation treatment of the United States and of Argentina. But this conclusion, which naturally followed, the Conference did not formulate or even suggest. It seems doubtful whether it was considered practicable in the allied countries. At any rate, the whole subsequent history of this problem in Great Britain shows that even the enemies of free trade did not contemplate the restoration of grain taxes.

In spite of its extreme vagueness the resolution of the Paris Conference raised considerable doubts in Russian governmental circles.

After discussing it, the Russian Government thought it necessary, while not vetoing the resolution itself, to introduce certain amendments to it.

The following telegram of the Minister of Foreign Affairs to M. Izvolsky, Russian Ambassador at Paris, dated 12/25 September, shows the opinion of Petrograd. "The Council of Ministers has thoroughly examined the question of the ratification by the Imperial Government of the recommendations of the Economic Conference. Realizing the importance of the recommendations made by the Conference and the necessity for taking immediate and rigorous measures in order to prevent the expansion of Germany in the future, the Council has considered the special circumstances of our country, which are economically very different from those of France and Great Britain. . . . The Council of Ministers wishes to make it explicit that in working out measures to be enforced in virtue of the decisions taken by the Conference, every Government will be guided by the economic requirements of its own country. However, in order to maintain complete solidarity among the three principal members of the Conference, ourselves, the French, and the English, it is considered undesirable to introduce this reservation by the Imperial Government in the official statement of the ratification of the decisions of the Conference, as was done by Italy. It is proposed that the French and British Governments should sign a special confidential declaration, the text of which is enclosed under appended document No. 2. . . . The Imperial Government is ready, when the signature of the declaration is made public, to undertake the ratification of the text of the decisions of the Economic Conference without mentioning in the text of the ratification the aforesaid declaration."

The proposed secret declaration was as follows: "The undersigned representatives of the Governments of Great Britain, France and Russia, duly accredited, have agreed that in elaborating the measures to be taken for the execution of the resolutions adopted by the Economic Conference held by the Allies in Paris in June 1916, each of the aforesaid Governments will take into account the economic conditions of its country, as well as the exceptional privileges which they confer upon certain categories of enemy nationals. It is clearly understood that this declaration shall be considered an integral part of the act signed by the delegations and that it shall be considered as ratified by all acts confirming the resolutions adopted

by the aforesaid Conference. The present declaration shall not be made public."

In this manner, the Russian Government hoped to preserve a certain freedom of action in the future without declaring itself openly against the resolution which, in fact, did not meet the interests of Russia. The new proposal led to nothing and the question whether or not the Russian Government would sanction the program of the post-war economic struggle was left open. The outbreak of the Revolution diverted the attention of the Russian Government and public opinion from the problem of the post-war economic struggle. But even in western Europe the work started by the Paris Conference seems to have made little progress in the course of the following years. Only at the time of the drafting of the economic provisions of the Peace Treaty were the ideas which inspired the Economic Conference revived. Russia, however, did not take part in the preparation of the Peace Treaty, and therefore the Conference of Paris for her remained an episode which brought no practical results.

The negative attitude of Russia toward the ideas of a post-war economic struggle deserves to be recorded. It is in harmony with the general and fundamental understanding in Russia of the principle of economic war. Supported by no legal theory and guided solely by considerations of expediency and opportunism, the economic policy of Russia was not elevated to the status of a real system or a real doctrine. It is not surprising that the same considerations of expediency prevented her acceptance of economic war as a principle of post-war economic policy.

CHAPTER IX

END OF RUSSIA'S PARTICIPATION IN ECONOMIC WAR

1. *Absorption of measures of economic war by communist legislation.*

For all countries which took part in the economic world war of 1914-1918 the results of this war were summed up by peace treaties. They show gains in the case of those countries which won the War, and losses for the losers of the War. The Treaty of Versailles (and other treaties modeled upon it) gives a whole system of rules (Part IX, Economic Provisions) which, first, put an end to all military measures and, second, fulfilled within certain limits the proposals of the Paris Conference relating to economic warfare in time of peace. The liquidation of war-time legislation took the following form: measures taken by the Allies against the rights and interests of enemy nationals were confirmed and further developed, while similar measures taken by the members of the German coalition were repealed and gave place to the obligation to compensate those against whom they were applied. The effects of economic war upon the period following the War, therefore, proved quite unilateral and manifested themselves in the deprivation of the Powers of the German group of equal rights with the Allies in the field of trade.

The close of the economic war in Russia was quite different. No systematic liquidation of war policy took place; it merely disappeared, being engulfed in the abyss of the upheaval occasioned by the Revolution.

If the first Revolution of 1917, which led to the downfall of the Monarchy and the transfer of the Government into the hands of the moderate oppositionary groups, did not produce any essential change in the conduct of economic war, the second Revolution of 1917, on the contrary, which resulted in the seizure of power by Lenin, had a direct effect upon the fate of those measures. To begin with, three days after the Bolshevik *coup d'état* (28th October 1917) there was published the memorable "peace decree" which proclaimed that the "Russian Government of Workmen and Soldiers . . . offers to all belligerent peoples and their Governments

to start immediate negotiations for the conclusion of an equitable, democratic peace"; furthermore, "that to continue the War in order to divide among the powerful and wealthy nations the weak, conquered nations, the Government considers the greatest crime against mankind" and that the "work of peace" from the point of view of the Russian Government is only the beginning "of the liberation of the laboring and exploited masses from all serfdom and exploitation." This phraseology had no practical effect upon the fate of the economic world war; under the conditions which prevailed at that time, the act which embodied it was not a practical step of international importance, but merely a revolutionary proclamation. Nevertheless, it became immediately of the greatest practical importance as far as Russia herself was concerned. The revolutionary proclamation proved to be the expression of the firm will and the resolute and steady decision of the leader of the Russian Revolution to end the War. The phrases of the "peace decree" were followed by acts which led to the withdrawal of Russia from the War. The withdrawal of Russia was recorded formally by the conclusion of an armistice and by the treaties of Brest-Litovsk, but it was actually carried out through the chaotic and spontaneous departure of Russian troops from all fronts. With the suspension of military operations, the measures under which the economic war were conducted naturally came to an end. One must remember that the October Revolution was accompanied by an extraordinary and complete breakdown of the whole machinery of the Russian State. As is well known, the whole legislative, executive, and judicial machinery of Imperial Russia, already shattered by the first Revolution, ceased to operate, partly as a matter of course, and partly because of its abolition by the decisions of the new Government. The new Soviet machinery was built up gradually in the course of a number of years, but during the first few months which followed the *coup d'état* there was no such machinery. In the anarchy and chaos which characterized this period it was out of the question to enforce the complex legislation which made up the body of Russian economic war, even if the new Government had desired to do so in spite of its appeals for an immediate cessation of the War.

In Russia, however, the *de facto* suspension of economic war did not mean the return to peace-time conditions in the strict sense of the term. If the tariffs and embargo war, the blockade, restrictive legis-

lation in all its ramifications, ceased to operate, it was not in order to make place for the peaceful intercourse of trade, freedom of navigation, or respect for the rights of enemy nationals. On the contrary, by a peculiar play of historical conditions, the measures of economic war were merged into the chaos created by the October Revolution. The return to peaceful relations with enemy countries did not take place, because the Russian Government declared itself the enemy of property rights and interests, not only of enemy nationals, but also of all private persons, Russian citizens and foreigners, irrespective of their nationality; and this program, combined with certain other conditions, created on land and sea a situation which was equivalent to war-time blockade and a tariff and embargo war.

The most typical instance of this transition from the extraordinary situation resulting from the economic war to the extraordinary situation due to the attempt to carry out the communist program and the direct and indirect consequences of this program, was the merging of the restrictive war legislation in the restrictive communist legislation. A few examples will suffice.

Let us take war measures against the property rights and interests of enemy nationals within Russian territory. We have seen that they may be grouped under one of the three following headings: (1) acts directed toward the suppression of the industrial and commercial activity of the enemy within Russian territory; (2) the liquidation of enemy landed property, and (3) measures directed toward the financial blockade. The Soviet Government, immediately after its advent to power, began the carrying out of the so-called "nationalization" which in practice amounted to the extension to everyone and everything of the measures taken against enemy nationals by the Imperial and the Provisional Governments. Even in the *technique* of nationalization it is easy to detect the survivals of the measures of economic war; the communists were brought up in the school of war legislation.

Let us take the first group—measures dealing with industry and commerce. A series of decrees of the Soviet Government: on the nationalization of the mercantile fleet dated 26th January 1918; on the nationalization of foreign trade dated 22nd April 1918; on the nationalization of the most important mines and firms engaged in metallurgical, textile, and other industries dated 28th June 1918; a

number of decrees introducing trade monopolies for various commodities, etc., transferred into the hands of the State the whole machinery of industry and commerce following the method used by the Russian Government during the War in taking over the administration of certain enemy establishments and in ordering the closing of others. With regard to the second group,—the liquidation of landed property, the third decree issued by the Soviet Government on 26th October 1917 declares: "The right of large owners to property in land is abolished without compensation." The third group—the financial blockade: the decrees of 17th December 1917 on the nationalization of banks; of 29th December 1917 on the suspension of payments on coupons; of 28th January 1918 on the annulment of State loans; of 26th October 1918 on the annulment of government stocks, all these measures are only an extension, to cover all people, of the law prohibiting payments to enemy nationals.

In drawing a parallel between the communist and the war legislation I do not intend to describe the former or express my view concerning it. I am solely concerned with the war-time struggle. But I cannot pass over in silence the communist decrees on nationalization, because they represent the final stage in Russian war legislation: the liquidation of property rights of enemy nationals merges in the liquidation of all private property rights.

The participation of Russia in the economic war was not limited to the war measures I have just mentioned. We know that two other factors had an important share in the economic struggle of which Russia was actively or passively a part: the blockade, and the tariff and embargo war. With the Revolution of October 1917 both these factors continued to operate. They assumed a new form. While formerly the British naval blockade affected Russia only indirectly, from that date it was aimed at Russia. After the Bolshevik *coup d'état*, Great Britain and her allies who ruled the seas suspended the shipment of goods to Russia either direct via Archangel and Vladivostok, or in transit through Sweden. In the course of time the prohibition of trade with Soviet Russia became a real "blockade," which was not removed until 1920.

One would expect that with the end of the War, relations with former enemy countries would be resumed, at least through the land frontier. We shall see that the resumption of such relations with the Ukraine and Soviet Russia was formally provided for and regulated

by the peace treaty of Brest-Litovsk. But that portion of Russia which was under the rule of the Commissaries of the Council of the People was *de facto* unable to conduct any sort of trade, because the territory which divided her from Germany and Austria-Hungary was in a state of civil war which prevented all normal relations. Moreover, the economic breakdown of Russia, a result of the Revolution, made foreign trade all but impossible.

The blockade and the suspension of trade on land and sea, therefore, merely took a new form and continued to determine the position of Russia on the international market, since the transition to peace-time conditions was not a factor in the restoration of normal commercial relations with the rest of the world, but only a variation of economic war.[1]

One must add that this peculiar and unexpected end of the economic war in Russia, its absorption by communism, by the international struggle against communism and by the economic chaos, took place only in that section of Russian territory which was under the rule of the government of Lenin; in other sections the situation was very different. In those localities where the anti-Bolshevik military forces governed and operated (Admiral Kolchak in Siberia, General Denikin in the southern part of Russia, etc.), the war-time legislation was still considered to be operative and Russia to be at war with Germany and her allies. Looking through the periodical, *Vestnik Finansov, Promishlennosti i Torgovli*, published in Omsk in 1919 by the government of Admiral Kolchak, I came across an advertisement of the Provisional Executive Board of the Tetukhe Mining Joint-Stock Company, announcing that "in virtue of a decision of the Committee attached to the Ministry of Commerce on the compulsory alienation of enemy shares" such and such shares of the aforesaid company were annulled. One of the most typical measures of war-time legislation, therefore, was still enforced in this

[1] Soviet legislation: *Sbornik Dekretov 1917-1918 gg.* (*Collection of Decrees, 1917-1918*), Moscow, 1920; *Sistematicheski Sbornik vazhneishikh Dekretov* (*The Most Important Decrees, Classified*), Moscow, 1920; Maltsman, *Zakonodatelstvo o promishlennosti, torgovle, trude i transporte* (*Legislation on Industry, Commerce, Labor, and Transportation*), I-II, 1923; legislation dealing with international problems: Lagarde, *La Reconnaissance du Gouvernement des Soviets*, Paris, 1924, pp. 37 *sqq. Cf.* Nolde, *L'ancien régime et la révolution russes*, Paris, 1928, pp. 179 *sqq.*

remote outskirt of Russia, and economic war seems to have been still in full swing.

2. The Brest-Litovsk attempt at an economic peace.

Such was the actual end of the participation of Russia in economic war. But these remarks would not be complete if we did not mention another episode connected with the termination of the economic war struggle. In the confusion resulting from the communist revolution, in which merged all the measures of that struggle, an attempt was made to build up an orderly termination of the War in the field of economics by means of a normal peace treaty in conformity with international diplomatic tradition. I mean by that, the international treaties signed by Soviet Russia and the Ukraine, on the one hand, and by Germany and her allies on the other. The diplomats and officials of the Central Powers, ignoring the abnormal conditions prevailing in Russia, prepared a number of rules embodied in a treaty which had for its purpose the termination of economic war by the customary transition to peace-time commercial and lawful intercourse between the former belligerents, and the payment of compensation for damages caused by the War. These rules were discussed at Brest-Litovsk by the delegates of either side and were eventually included in the texts of the treaties they signed. However, it appeared very soon that under the conditions which prevailed in Russia all these decisions remained a dead letter. With a bureaucratic perseverance the German Government made still another attempt to put into legal form the transition to peace-time conditions; on 27th August 1918 it concluded with Soviet Russia the so-called "Supplementary Treaty" revising the terms of the treaties of Brest-Litovsk. The second attempt also proved a failure because, with the military defeat of Germany and the German revolution, the supplementary treaty, together with those of Brest-Litovsk, was annulled.

In spite of the failure of these attempts to bring about a normal termination of the economic war, we must give here at least a brief outline of their provisions.

It had already been established by virtue of the armistice concluded at Brest-Litovsk on 2/15 December 1917 between Russia and the Central Powers that trade and commercial navigation should be free in the Black Sea and in the Baltic Sea east of the fifteenth degree of longitude (Greenwich) (Article V, 5).

This decision was a preliminary to the negotiation relating to the restoration of normal trade and legal intercourse, which opened at Brest-Litovsk on 9/22 December 1917.[2] At one of the first sessions of the Conference (13/26 December) von Kühlmann, the German Secretary of State for Foreign Affairs, made the following statement: "Now let us take up the measures of the so-called economic war, that is, the measures with the help of which the Powers have unfortunately brought the state of war into the field of economics. I suggest the following principle in dealing with this problem: all enactments and measures issued for the enforcement of this economic war will cease to be operative in respect of the nationals of either party from the date of the conclusion of peace." The Soviet delegate, Joffe, made a rather unexpected reply to this offer. "Exceptional laws being altogether inadmissible on the territory of Russia," he said, "we naturally agree to this suggestion. But, of course, we shall have to examine the exact wording of this provision." It seems as if the Soviet delegate, who did not possess the necessary technical knowledge, did not understand the real meaning of the proposal.[3] At the next session (the committee on politics, 15/28 December),[4] the German delegation produced the draft treaties which were to embody the statement of von Kühlmann. One of the Articles of the draft treaty (V) provided that the Contracting Parties agree that on the conclusion of peace economic war shall also be discontinued and that they undertake not to take part in any measures designed to continue hostilities in the field of economics. This provision undoubtedly was intended to supply a counter weapon against the principles proclaimed at the Paris Conference of 1916.

[2] The verbatim reports of the proceedings of the Conference were published by the Soviet Government in (1) *Mirnie Peregovori v Brest-Litovske, t.I, Plenarnie zasedanya, zasedanya politicheskoi kommissii* (*The Peace Negotiations of Brest-Litovsk, Minutes of the Plenary Sessions and of the Political Committee*), Moscow, 1920; and (2) *Brest-Litovskaya Konferentsya, zasedanya ekonomicheskoi i pravovoi kommissii* (*The Conference of Brest-Litovsk, Minutes of Economic and Juridical Committees*), edited by B. E. Stein, Moscow, 1923. German documents bearing on the peace of Brest-Litovsk are given by Karl Strupp, *Die Friedensverträge, Die Ostfrieden,* Berlin, 1918. *Cf.* also Gustav Gratz and Richard Schüller, *Die Aussere Wirtschaftspolitik Osterreich-Ungarns: Mitteleuropäische Pläne* (Vienna, 1925), in the Austrian and Hungarian Series of the *Economic and Social History of the World War.*

[3] *Mirnie Peregovori,* p. 18.

[4] *Ibid.,* pp. 34-35.

Another Article (IX) of the draft dealt with war legislation in the narrow sense of the term and provided that all war measures restricting the rights, as nationals of enemy countries, of Germans in Russia and of Russians in Germany, should be repealed; that persons who had suffered damage through the application of such laws should be restored to their rights, especially that their landed property, industrial and commercial establishments, or interests in such undertakings, should be restored to them, or that they should be compensated. Joffe replied to these proposals that "as a whole" the proposal of the German Delegation was acceptable.

When the conference of Brest-Litovsk met again after the Christmas recess the proposals of the German delegation were submitted to two special committees, the economic committee and the legal committee; the former examined the provisions having to do with non-participation in the post-war economic struggle; the latter, the provisions relating to war legislation.

It appears from the proceedings of the economic committee that during the recess the Central Powers had prepared a new proposal of non-participation in the coming economic struggle, which substantially departed from their original draft. The new edition of the respective Articles of the treaty was worded as follows: "The contracting parties have decided by mutual agreement to endeavor to bring about the termination of war in the field of economics and finance coincident with the cessation of hostilities. They have mutually agreed to take no part in any measure designed to continue hostile action in the field of economics and finance either directly or indirectly, and will use all means at their disposal to prevent the application of such measures within their territory even though initiated by private persons or a third party; they will also exercise pressure on other Powers in the sense of not recognizing economic war, and will support each other in the struggle against measures of economic war which may be directed against them by a third Power. . . ."[5] While accepting the principle of ending economic war, Joffe was quite right in objecting to the new wording of the German proposal: "The German proposal outlines something like a defensive treaty, while the experience of the present war has clearly shown how difficult it is to draw a line between defense and

[5] Proceedings of the economic committee, 6/19 January 1918, *Brest-Litovskaya Konferentsya,* pp. 41 *sqq.*

aggression; one may therefore be justified in apprehending that such a defensive treaty may easily degenerate into a treaty of aggression." Körner, the German delegate, replied that an outgrowth of the provisions directed against economic war would be the obligation of mutual support in case of a breach of the economic peace by a third party.[6]

The proceedings of the juridical committee on the question of war legislation were opened by the declaration of the German delegate, Dr. Kriege, who stated that Great Britain had extended the War to the legal relations between private citizens of the enemy countries and that, unfortunately, her lead had been followed by Russia; that the purpose of the peace treaty was the restoration of legal ties and of confidence in law in general. From the very beginning Joffe, who represented the Soviet delegation on this committee, proved rather difficult to handle; he now declared that the responsibility for all evils should not be attached to any separate government, but to all imperialistic governments who had forced their countries into the struggle in the name of interests which were entirely foreign to them.[7] This trend of the debates was preserved throughout the proceedings of the juridical committee. Having accepted without opposition the provision proposed by Kriege relating to the suspension of the operation of exceptional war measures directed against the rights of enemy nationals, Joffe took a decisive stand against the rule providing for compensation for damages in case where restitution would prove impracticable. "We, the representatives of a nation which has just thrown off the yoke of a criminal government," he declared, "do not see any reason why we should defend the crimes of that government. . . . But we do not consider it possible to compensate individual victims of the War at the expense of the masses of the population who are the real sufferers. . . . In the attempt to compensate your own merchants at the expense of the popular masses of your former enemy lies, we believe, a plan for collecting contribution in an underground way. We therefore reject it. . . ." Joffe suggested the formation of a special international fund made up of subscriptions from capitalists of all nations, to provide compensation for all

[6] Proceedings of the economic committee, 14/27 January 1918, *ibid.*, pp. 71 *sqq.*

[7] Proceedings of the juridical committee, 7/20 January 1918, *ibid.*, pp. 97 *sqq.*

damages suffered by the people of those countries.[8] At one of the following sessions of the committee, Dr. Kriege with great persistence and a wealth of details defended the principle of compensation for damages, laying stress on "legal, political and economic" considerations, but without success.[9] This session was the last one held by the committee before the breakdown of the negotiations, and the Joffe-Kriege polemics, therefore, remained an open question.

It seems odd that the discussion of the principle of restitution of private rights proceeded in the committee as if the whole policy of nationalization and expropriation, which constituted the very essence of the policy of the new Russian Government, did not exist. At that time the problem of the defense of private rights on Russian territory no longer lay in war legislation, but in the decrees of the communist government.

It will be recalled that the negotiations of Brest-Litovsk did not lead to a settlement. They were broken up by the declaration of Trotzky that Russia withdrew from the War without concluding peace. Then came the German ultimatum which was accepted without reservations by the government of Lenin. At Brest-Litovsk the new Russian delegation signed the peace treaty which was submitted to them and which they practically had no opportunity to discuss. The treaty contained everything that the Central Powers thought it desirable to insert. Among other things it contained provisions dealing with the termination of the economic war, which may be summed up as follows: the Parties agree, with the termination of hostilities, to suspend the operation of all war measures in the field of economics and finance and to take no part in any measure directed toward the maintenance of a war-time economic policy in time of peace (Article IX, Part I, Russo-German Economic Agreement); the operation of war legislation directed against the civil rights of enemy nationals is suspended (Article VI, Russo-German Supplementary Treaty); land, mines, industrial and commercial establishments, and shares are restored to enemy nationals (Article XII, Part I) except property which has been taken over by the State (Article XII, Part II); damages are paid for losses incurred as the

[8] Proceedings of the juridical committee, 10/23 January 1918, *Brest-Litovskaya Konferentsya*, pp. 119 *sqq.*

[9] Proceedings of the juridical committee, 12/25 January 1918, *ibid.*, pp. 147 *sqq.*

result of war measures so far as this has not yet been done by restitution (Articles XIII and XIV).

After the signing of the treaty of Brest-Litovsk, it became perfectly evident that the harmonious system of rules relating to the termination of economic war was deprived of any practical significance by the conditions created in Russia by the communist rule. No restitution of rights was possible, because the objects of those rights were seized by the State, which extended its blessing to the forcible occupation of property by peasants and soldiers. Another solution of the problem must be sought and it was found in the Supplementary Treaty between Soviet Russia and Germany signed on 27th August 1918 by Joffe for Russia, and Hintze and Kriege for Germany. By virtue of the financial agreement which was included in the treaty, Russia undertook to pay Germany six million marks in settlement of all damages suffered by German nationals in Russia. These losses were no longer described as due only to the restrictive legislation enacted during the War, but also to the communist measures of alienation of property issued by the "Revolutionary Government of Russia," to use the expression of the official German article published in the *Norddeutsche Allgemeine Zeitung*.[10] The treaty of 27th August 1918 is further proof of the peculiar termination, by its absorption in the class struggle, of the economic war in Russia.

[10] For the treaty of 27th August 1918 and materials bearing on it, *see* Strupp, *op. cit.*, pp. 364 *sqq.*

APPENDIX I

RULES OF THE MINISTRY OF FINANCE, DATED 4TH MAY 1915, ON THE EXPORT DURING THE WAR OF EMBARGOED GOODS

(*Ukazatel Pravitelstvennikh Rasporyazheni po Ministerstvu Finansov i Ministerstvu Torgovli i Promishlennosti,* 1915, no. 21.)

APPROVED

Signed: P. Bark, Minister of Finance.

1. It is provisionally prohibited under war-time conditions to ship abroad goods listed in Schedules I-VI. Commodities listed in Schedules I and II are prohibited for export over all frontiers of the Empire; those listed in Schedules III-VI are prohibited for export only over the frontiers specified in the respective schedules.

NOTE. The export of all goods from the ports of the Baltic Sea situated in the provinces of Petrograd, Esthonia, Livonia, and Courland is prohibited.

2. The export to Finland of commodities listed in Schedule I is permitted. The reëxport of commodities from Finland abroad shall be carried on in accordance with the special regulations in force in the Grand Duchy of Finland.

3. The commodities under embargo for the period of the War (Article 1) may be exported to allied and friendly countries with the permission of the Minister of Finance.

4. Persons who desire to obtain a license for the export of certain of the embargoed goods (Article 1) shall file an application with the Department of Customs. The application shall state: (a) the occupation, name, and allegiance of the applicant; his permanent address as well as the address to which the reply of the Department should be forwarded; (b) for what commodities and in what quantities the license is sought, the country, town, and address of the consignee; (c) where the applicant proposes to purchase the goods, or where (name of the town, railroad station, or port) the goods already purchased are stored; (d) through what custom house the

applicant proposes to export the goods and, if he proposes to ship them, via what port, as well as on what ship and under what flag (if such information is available); and (e) whether the goods are to be shipped direct to the country of destination or in transit through other countries; in the latter case, through what countries and frontier stations in those countries the shipment of goods is contemplated.

NOTE. The applications mentioned in Article 4 for the export of commodities under embargo may be filed with the Department of Customs only with reference to those commodities which are listed in the schedules attached to Article 1 or in amendments to them issued by the Ministry of Finance. If, in the localities from which the export of goods abroad is to be made, local military authorities have laid an embargo on certain goods not listed in the schedules mentioned above and amendments to the same, then the license for the export of such commodities shall be sought from the military authorities concerned.

5. Persons, making application on behalf of a third party, shall attach to the application their letter of attorney or a certified copy of such letter.

6. The quantity of goods for which an export license is sought shall be shown in the application (Article 4, b) by weight, number, or other measurement suitable to the class of commodity. An indefinite statement of the quantity of goods (bags, barrels, railroad trucks, etc.) shall not be permitted.

7. If the Minister of Finance, after an examination of the consignor's application (Article 4), decides that the goods named in the application may be allowed to leave the country, the applicant, on receiving a communication to this effect from the Customs Department, must obtain a diplomatic guarantee that the goods named in the application will not be diverted while proceeding to their destination and will not be reëxported to enemy markets either from the country to which they are consigned or from the neutral countries through which they may pass in transit. Applications for such guarantees shall be made by the consignor to the respective embassies or legations. The guarantees will be communicated by the embassies or legations to the Ministry of Finance through the Ministry of Foreign Affairs.

8. On the receipt of the guarantees (Article 7) the Minister of

Finance will make a final decision on the application and, if it is favorable, the Customs Department will issue a special license to the applicant; this license is not transferable and is valid only within two months from the date of issue.

> NOTE. On the application of the parties concerned, licenses mentioned in Article 7 shall be issued to such persons for the commodities authorized for export by the Minister of Finance previous to issue of these Rules, after the Customs Department has been satisfied as to what portion of the commodities, the permission for whose export had been granted, have not yet been actually exported; without such license no export of goods shall be permitted after a fortnight after the receipt of these Rules by the Customs. Licenses shall be issued by the Department, if applications have been filed, within two months from the date on which these Rules have been sanctioned; after that date no licenses shall be issued unless the applicant has conformed with the requirements laid down by these Rules.

9. Regulation schedules (*Sobranie Uzakoneni*, 1914, no. 157, Art. 1788) accompanied by the licenses mentioned in Article 8 shall be filed with the proper authorities for the commodities authorized for export under these Rules.

10. If the whole consignment for which the license is issued is shipped at the same time, the license attached to the schedule remains with the customs officer who will immediately forward it to the Customs Department with an endorsement giving the date of shipment and a statement, if the consignment was made by sea, of the name of the vessel and its flag.

11. If the shipment is made by installments the license attached to the schedule shall be endorsed by the customs officer as to quantity shipped and date of shipment, this information being also communicated to the Department; on the shipment of the last consignment, the license shall be retained by the customs officer and forwarded to the Customs Department as stated in Article 10.

12. The consignors of commodities authorized for export via Finland shall file with the officials of the customs stations, in addition to the license and the schedules required by these rules, invoices for such goods or duplicates of such invoices, stating that the freight is for shipment by way of Finland and giving the country to which shipment has been authorized. If the invoice (or its duplicate) is in

all respects identical with the export license, it shall be endorsed, sealed, and signed by the chief Customs Officer or his deputy, to the effect that the shipment abroad of the goods described in the documents has been duly authorized. If the invoice contains no indication that the goods are being shipped abroad *via* Finland, the consignment shall be considered as being imported into Finland, and no endorsement on the invoice or its duplicate shall be required.

NOTE. All documents for freight consigned from the station Petrograd-Novi Port shall be directed to the Custom House of the Port of Petrograd; for freight consigned from the station Petrograd-Finland (or Kulikovo Pole), to the Custom House of the Petrograd-Finland railway; and for freight consigned from the internal provinces of Russia, to the Custom House of Beloostrov.

13. Where the consignment is shipped direct to Great Britain via the Scandinavian peninsula, the export to Great Britain of game, poultry, and bacon is permitted without special permission in each case and without the licenses prescribed by Article 8.

14. Invoices for shipments direct to Great Britain of commodities listed in Article 13 shall be endorsed by the Petrograd Custom House of the Finland Railway in accordance with the provisions of Article 12, provided that the would-be exporter has complied with the following rules for the direct shipment of goods to Great Britain via Scandinavian countries: the invoice shall show that the shipment is made to a specified consignee in Great Britain through British ports (London, Hull, Newcastle, or Grantham) and in all other respects the invoice shall comply with the requirements established for this purpose. (*Sbornik Tarifov Rossiiskikh Zheleznikh Dorog*, 1914, no. 2361, Art. 20651.)

15. During the navigation season of 1915 unrestricted export is permitted to northern Norway on steam and sail vessels owned by the inhabitants of the coastal districts of the province of Archangel, of shipments of timber, certain foodstuffs, and products of deer-raising listed in the attached schedule, provided that the captain, on the return of the vessel from Norway, shall submit a certificate from the Russian consular officer or, if no such officer is available at the port of landing, from the local Norwegian authorities, showing that the landing of the cargo has actually been made in Norway.

16. The custom houses through which the export is effected (Articles 9 to 12) shall report to the Department on each shipment made in accordance with the provisions of Articles 13 to 15, stating the size of the shipment and the country of destination.

17. The export of goods listed in the attached schedule is permitted direct to the allied countries on ships flying the Russian or allied flags, without the issuance of licenses required by Article 8. In case of shipment abroad in accordance with the provisions of this Article, a report shall be made by the custom house to the Department, stating the name of the vessel, its flag, the kind and size of the cargo, and the port of destination.

18. The presence in the ship's bunkers of coal required for the voyage shall not be considered a reason for hindering the clearance of the vessel; the amount of coal required for the voyage shall be determined by the administration of the port, and in ports where there is no such administration, by local custom officers. Vessels shall be allowed to depart with the same amount of coal which they brought into the Russian port, and shall not be compelled to discharge coal which may be in excess of the amount considered necessary for the voyage.

19. On releasing for export by sea goods which are under a general embargo, but whose shipment is allowed in accordance with the provisions stated above, the customs officers of the port shall issue to the captain a license stating the date and port of lading, the size and description of the cargo, and the port of destination.

Signed: S. Shatelen, Director,
Countersigned: S. Antonov, Chief Departmental Officer.

Annex to Article 1.

Schedule of goods whose export from Russia is prohibited for the duration of the War.

I. It is prohibited, in accordance with the decision of the Council of Ministers, sanctioned by His Majesty on 17th February 1915 (*Sobranie Uzakoneni*, 1915, no. 64, Art. 551), to export over all frontiers of the Empire the following foodstuffs and fodder:

Rye, wheat, oats, barley, lentils, millet, French wheat, peas, beans, haricots, potatoes, rice, all flour and meal, beets, tomatoes, onions, cabbage, dried vegetables, macaroni, tea, sugar, pepper, salt, to-

bacco (except cigars and cigarettes), live stock (including cattle, sheep, and hogs), meat (except bacon), butter, animal fats, canned foods, hay, and straw.

II. It is prohibited to export over all frontiers of the Empire: hides and leather, oxen, bulls, cows, calves, camels, buffaloes, horses, donkeys and hogs, copper and latten (bars, scrap, and manufactured goods).

III. It is prohibited to export horses over the European land and maritime frontier, including the Black and Azov Seas, the Trans-Caucasian, and the Persian and Afghan frontiers.

IV. In addition to the commodities listed in Schedules I and II, it is prohibited to export over the European land frontier and from the ports of the White, Baltic, Black, and Azov Seas the following goods:

Cereals (grain and flour), bran, husks and other fodder, vegetables, game and poultry, bacon, eggs, guts, fish, lumber, oil-seeds, clover and grass seeds, cotton waste, furs, sheep and goat skins (manufactured or raw), wool and wool waste, coal and coke, tar, iron and manganese ore, naphtha and its by-products, benzine, gasoline, ligroine, kerosene, and other illuminating oils, lubricating oils, spirits of wine, rubber (manufactured and raw), wire, caps and fuses, saltpeter, nitric and sulphuric acids, automobiles.

V. It is prohibited to export over the land frontier of Russia and from the ports of the White, Baltic, Black, and Azov Seas and over the Caucasian frontier:

Steel and lead.

VI. It is prohibited to export camels over the Persian and Afghan frontier.

Annex to Article 15.

Schedule of commodities whose export is permitted to Norway during the navigation season of 1915 on vessels belonging to the inhabitants of the coastal region:

Lumber, tea, butter, salmon, deer meat, tongues, deer wool, deer skins.

NOTE. The amount of butter allowed for export to northern Norway in each particular case shall rest with the Governor of the Province of Archangel.

Annex to Article 17.

Schedule of goods allowed for export direct to allied countries on ships flying the Russian or allied flags:

Maize, bran and husks, bacon, butter, poultry and game, fish, guts, first-class tobacco (certified as such by the Department of Excise), lumber, oil-seeds, clover and other grass seeds, furs (except sheep and goat skins).

APPENDIX II

DECISION OF THE COUNCIL OF MINISTERS OF 24TH OCTOBER 1916 ON THE PROHIBITION OF TRADE WITH ENEMY AND CERTAIN NEUTRAL FIRMS

(*Sobranie Uzakoneni i Rasporyazheni Pravitelstva,* 1916, Art. 2382.)

By the Decision of the Council of Ministers, sanctioned by His Majesty on 24th October 1916 in virtue of Article 87 of the Fundamental Laws (*Svod Zakonov*, Vol. I, Part I, ed. 1906), it is enacted as follows:

1. Until further notice, all Russian subjects, as well as other persons residing within the Russian Empire, and all commercial and industrial associations and joint-stock companies operating in Russia are prohibited from becoming a party to contracts, or to any other transaction, with enemy nationals, associations, and joint-stock companies, as well as with nationals, associations, and joint-stock companies of other countries, if such individuals, associations, and joint-stock companies appear on the special list. All contracts with enemy firms are declared void from the date of the publication of this Act; and contracts with neutral firms appearing on the special list shall become void one month after the publication of the aforesaid list.

2. The lists mentioned in the preceding Article shall be examined and sanctioned by the Council of Ministers to whom they will be submitted by the Minister of Commerce and Industry, who will previously have reached an agreement with the Minister of the Interior as to the inclusion of insurance companies in the lists, and with the Minister of Finance as to the inclusion of banks. The lists thus sanctioned shall be published in *Sobranie Uzakoneni i Rasporyazheni Pravitelstva* and other periodical publications, as may be directed by the Minister of Commerce and Industry.

3. Persons guilty of a breach of the rule laid down in Article 1 of this enactment are liable to imprisonment for a term of from two to sixteen months and to a fine of from one thousand to twenty-five thousand rubles.

APPENDIX III

PROTOCOL OF AGREEMENT BETWEEN THE UNITED STATES AND RUSSIA CONCERNING THE EXPORTATION OF EMBARGOED GOODS FROM RUSSIA TO THE UNITED STATES[1]

In order to facilitate the commercial relations between the United States of America and Russia, in view of the embargo which has been placed by the Government of Russia upon the exportation of certain articles from Russia, the undersigned Robert Lansing, Secretary of State of the United States, and His Excellency George Bakhméteff, Ambassador Extraordinary and Plenipotentiary of Russia to the United States, duly authorized thereto by their respective Governments, have agreed upon the following conditions under which American citizens or firms may secure release of shipments under special permission from the Imperial Russian Government, to wit:

1. Whenever an American merchant or firm desires to make importations from Russia he or they shall first file an application for such importation with the Commercial Agent in charge of the New York office of the Bureau of Foreign and Domestic Commerce of the Department of Commerce of the United States, which application shall set forth in detail information regarding the proposed importations, the commodities, the character of the goods, their quantities and values, the methods of payment, and the name of the Russian export firm, as well as any other details which may be required.

2. The American importer shall further state in the application his preparedness to file with the proper Russian official in the United States a bond to the Imperial Russian Government, to the amount of the value of the goods at the port of importation as of day prior to the date of the execution of the bond. This bond shall run for a period of at least three years or until the conclusion of the War; and the said bond shall guarantee that the commodities, raw materials, or products manufactured therefrom, which it is desired to import, shall not be exported from the United States to any country unless

[1] Treaty Series, no. 618, Washington, 1915.

special permission therefor be granted by the Imperial Russian Government or its representative.

3. Upon the American importer complying with the requirements of conditions numbered one and two, the Commercial Agent in charge of the New York office of the Bureau of Foreign and Domestic Commerce of the Department of Commerce of the United States shall then make inquiries as to the standing and responsibility of the American importer, and as to such other details with respect to him as may be deemed to be required; and should he find that such importer is satisfactory in all respects, he shall approve the application and forward it to the Imperial Russian Embassy at Washington or to its representative.

4. Upon the said application receiving the approval of the Imperial Russian Embassy or its representative, the Imperial Russian Embassy or its representative will at once seek by cable the permission of the Imperial Russian Minister of Finance for the exportation of the goods in question, it being understood that the American importer will deposit with the Commercial Agent in charge of the New York office of the Bureau of Foreign and Domestic Commerce of the Department of Commerce a sum sufficient to cover all costs of cabling and incidental expenses. If permission for exportation be granted by the Imperial Russian Government, the American importer shall then submit his order to the Commercial Agent in charge of the New York office of the Bureau of Foreign and Domestic Commerce of the Department of Commerce for approval and the order shall be made out in such a way that the goods to be imported shall be consigned to the order of the Secretary of Commerce of the United States.

5. When permission for the exportation of the goods shall have been procured from the Imperial Russian Minister of Finance, the American importer shall execute his bond and file it with the proper Russian official in the United States for approval. Upon the receipt of this approval by the Commercial Agent in charge of the New York office of the Bureau of Foreign and Domestic Commerce of the Department of Commerce the consignment may be released to the American importer.

6. Should it be found that the terms of the bond have been violated and that the goods in question have been exported from the United States either in their original form or in manufactured form,

except with the specific approval of the Imperial Russian Government or its representative, the bond shall be forfeited to the Imperial Russian Government.

7. The Commercial Agent in charge of the New York office of the Bureau of Foreign and Domestic Commerce of the Department of Commerce shall transmit to the Imperial Russian Commercial Attaché a statement setting forth the applications which have been made for importations of Russian goods into the United States and a statement of the actual arrivals of such goods, and these statements shall be made in triplicate on the first and fifteenth of each month.

8. It is understood that in case the Imperial Russian Government does not approve an application it is not bound in any way to give an explanation of the reasons of its refusal as these might be justified by considerations of State policy.

9. It is understood that this agreement shall go into operation on 23rd September 1915 and shall remain in force during the continuance of the embargo. If, however, American importers desire to import goods which have been purchased prior to the date above mentioned, such arrangements may be made under the usual procedure but will be subject to the special approval of the Imperial Russian Minister of Finance.

In witness whereof the undersigned have hereunto signed their names and affixed their seals.

Done at Washington this 23rd day of September 1915.

Robert Lansing [seal],
G. Bakhmeteff [seal].

APPENDIX IV

IMPERIAL UKASE OF 11TH JANUARY 1915 ON THE ISSUANCE OF TRADE LICENSES FOR THE YEAR 1915 TO NATIONALS OF COUNTRIES WITH WHICH RUSSIA IS AT WAR

(*Sobranie Uzakoneni i Rasporyazheni Pravitelstva*, 1915, Art. 157.)

His Majesty the Emperor on the 11th January 1915, at the request of the Council of Ministers and in virtue of Article 87 of the Fundamental Laws (*Svod Zakonov*, Vol. I, Part I, ed. 1906) on the consolidation and amendment of the laws concerned, has ordered the following enactment:

1. Trade licenses authorizing the operation of commercial firms and the carrying on of trade shall not be issued to nationals of countries with which Russia is at war, nor to the representatives of partnerships with or without limited liability, if any of the members of such partnerships are nationals of such States, nor to the representatives of companies and institutions, subject to public audit, incorporated under the law of a country with which Russia is at war and duly authorized to operate in Russia.

2. Commercial establishments owned by individuals, partnerships, companies, and institutions listed in Article 1 shall be closed, and the carrying on of trade by individuals shall be discontinued; in order to liquidate their affairs the aforesaid individuals, partnerships, companies, and institutions are allowed until 1st April 1915 to continue their business, on condition that they shall obtain special trade licenses for which they shall be charged one-fourth of the double fee for the trade license for their respective class, as established for the year 1915, or for a period of three months they must pay double the personal trade tax for the year 1915.

3. Trade licenses for the operation in 1915 of industrial undertakings may be issued to nationals of Powers with which Russia is at war, as well as to representatives of partnerships with or without limited liability which include enemy nationals among the partners, and to representatives of companies subject to public audit and to institutions incorporated under the law of countries with which Rus-

sia is at war and duly authorized to operate in Russia,—provided that the aforesaid individuals, partnerships, companies, and institutions were engaged in carrying on such business in 1914. The following conditions shall be observed in issuing trade licenses:

(a) in order to obtain a trade license for the operation of an industrial establishment, the representatives and persons listed in this Article shall present to the officials issuing trade licenses their licenses for the year 1914 identical as to the trade, class, and place of issue with those for which application is made for the year 1915 and issued in the name of the same person, partnership, company, or institution;

(b) industrial establishments owned by individuals, partnerships, companies, or institutions listed in this Article shall pay the State tax on commerce and industry, the principal tax as well as the supplementary tax, at double the rate established for the year 1915;

(c) the employment of commercial travelers shall be granted only to those industrial establishments owned by individuals, partnerships, companies, and institutions listed in this Article which obtain trade licenses for the year 1915 on the payment of a fee of not less than 500 rubles;

(d) in the case of the publication in 1915 of further enactments restricting the operation of industrial establishments by individuals, partnerships, companies, and institutions listed in this Article, the aforesaid individuals, partnerships, companies, and institutions shall be subject to all such restrictions; on application, however, they may obtain a refund of the sum paid by them on account of the tax on commerce and industry, the amount of the refund being calculated with reference to the length of time they have been allowed to operate.

4. The Minister of Finance is empowered to enforce by telegraph the measures made necessary by the preceding Articles (1 to 3).

APPENDIX V

IMPERIAL UKASE OF 17TH DECEMBER 1915 ON THE ISSUANCE OF TRADE LICENSES FOR THE YEAR 1916 TO NATIONALS OF COUNTRIES WITH WHICH RUSSIA IS AT WAR

(*Sobranie Uzakoneni i Rasporyazheni Pravitelstva*, 1916, Art. 3.)

His Majesty the Emperor on the 17th day of December 1915, at the request of the Council of Ministers and in virtue of Article 87 of the Fundamental Laws (*Svod Zakonov*, Vol. I, Part I, ed. 1906), has ordered the following enactment:

1. Trade licenses for the operation of industrial establishments shall not be issued to nationals of countries with which Russia is at war, whether full or part owners of such establishments; or to the representatives of partnerships with or without limited liability, if any of the partners are nationals of such States; or to the representatives of companies or institutions subject to public audit, incorporated under the law of a country with which Russia is at war, and duly authorized to operate in Russia.

2. Industrial establishments owned in whole or in part by individuals, partnerships, companies, or institutions listed in Section I of this Law shall be closed and placed under liquidation proceedings as from 1st January 1916 in accordance with the rules laid down by the decisions of the Council of Ministers sanctioned by His Majesty on 10th May (Section II) and 23rd September 1915 (*Sobranie Uzakoneni*, Articles 1113 and 2003). For which reason the list of enemy industrial establishments subject to closure and liquidation shall be presented by the respective local departments of the Treasury (*Kazennaya Palata*) to the Regional Law Courts within one month after the publication of the Law.

3. The operation of rules laid down in Sections I and II of this Law shall not extend to those enemy industrial establishments which

(I) are owned by enemy nationals of Slavonic, French, and Italian blood, or by nationals of Bulgaria and Turkey of the Christian faith who, with the permission of local military and civil authorities, are allowed to continue in the place of their domicile within the Em-

pire and the carrying on of whose business shall not be prohibited by such authorities;

(II) and to those enemy industrial establishments which (a) are working for national defense as contractors for the Crown, the Unions of Zemstvos and Towns, and the War Industries Committees; (b) are taken over and administered by the Government in accordance with special regulations (*Sobranie Uzakoneni*, 1915, Art. 1609); or (c) are under sequestration, with the exception, however, of such cases where the government officials in charge shall demand that they be brought within the scope of Sections I and II of this Law.

APPENDIX VI

IMPERIAL UKASE OF 1ST JULY 1915, VESTING THE COUNCIL OF MINISTERS WITH CERTAIN POWERS TO DEAL WITH THE JOINT-STOCK COMPANIES INCORPORATED UNDER THE LAW OF THE EMPIRE

(*Sobranie Uzakoneni i Rasporyazheni Pravitelstva*, 1915, Art. 1609.)

His Majesty the Emperor on the 1st day of July 1915, at the request of the Council of Ministers and in virtue of Article 87 of the Fundamental Laws (*Svod Zakonov*, Vol. I, Part I, ed. 1906) for the purpose of consolidating and amending the law concerned and as a provisional war measure, has ordered the following to be enacted:

1. In dealing with joint-stock companies incorporated under the Russian law, the Council of Ministers is hereby empowered to take the following measures: (i) to order the winding up of such companies, with the appointment of receivers for carrying out the work of liquidation; or (ii) to appoint provisional administrators of such companies without ordering their liquidation.

2. The measures set forth in Section 1 of this Act may be applied in cases where the actual control over the joint-stock companies is exercised by nationals, partnerships, companies, or institutions of countries with which Russia is at war and where their activities present a danger to the interests of the State.

3. In the case of liquidation of joint-stock companies or of the appointment of provisional administrators, the interests of creditors of such joint-stock companies and those of the shareholders shall be safeguarded; at the same time, the normal operation of establishments belonging to the joint-stock companies shall be continued if this is considered desirable.

4. The rules laid down by Sections 1 to 3 of this Act shall apply to partnerships with or without limited liability incorporated under the Law of the Empire, if they have, or had at the outbreak of the War, enemy nationals among their partners.

5. Complaints as to irregularities on the part of officers in charge of the liquidation of joint-stock companies and partnerships shall be addressed within one month to the Minister concerned; appeals from the decision of the Minister shall be made within one month to the First Department of the Senate, where they shall be immediately examined and final decision shall be given in conformity with the rules laid down in Section 96 of the Statute of the Senate (*Svod Zakonov*, Vol. I, Part II, Annex of 1912).

APPENDIX VII

DECREE OF 23RD OCTOBER 1916 ON THE AMENDMENT OF THE DECISION OF THE COUNCIL OF MINISTERS OF 1ST JULY 1915, RELATING TO THE VESTING OF THE COUNCIL OF MINISTERS WITH CERTAIN POWERS TO DEAL WITH JOINT-STOCK COMPANIES INCORPORATED UNDER THE LAW OF THE EMPIRE

(*Ukazatel Pravitelstvennikh Rasporyazheni po Ministerstvu Finansov i Ministerstvu Torgovli i Promishlennosti*, 1916, no. 45.)

By the Decision of the Council of Ministers sanctioned by His Majesty on 23rd October 1916, it is enacted, in virtue of Article 87 of the Fundamental Laws (*Svod Zakonov*, Vol. I, Part I, ed. 1906), that the Decision of the Council of Ministers, sanctioned by His Majesty on 1st July 1915 relating to the vesting of the Council of Ministers with powers to deal with the joint-stock companies incorporated under the law of the Empire (*Sobranie Uzakoneni*, Art. 1609), shall be amended as follows:

1. Section 4 of the aforesaid enactment shall read: "The rules laid down in the preceding Sections 1 to 3 shall also apply to all partnerships or individual firms incorporated under the Russian law or authorized to operate within the Empire."

2. The aforesaid enactment shall be amended as follows: "In the case of joint-stock companies operating within the Empire and incorporated under the law of a foreign country, the Council of Ministers is empowered under conditions set forth in Section 2 of this law to institute special procedure for the administration and liquidation of the branches of such companies operating in Russia."

APPENDIX VIII

DECISION OF THE COUNCIL OF MINISTERS OF 8TH FEBRUARY 1917 VESTING THE COUNCIL OF MINISTERS WITH SPECIAL POWERS TO DEAL WITH JOINT-STOCK COMPANIES INCORPORATED UNDER THE LAW OF THE EMPIRE

(*Sobranie Uzakoneni i Rasporyazheni Pravitelstva*, 1917, Art. 216.)

By the Decision of the Council of Ministers, sanctioned by His Majesty on 8th February 1917 in virtue of Article 87 of the Fundamental Laws (*Svod Zakonov*, Vol. I, Part I, ed. 1906) in amendment of the decision of the Council of Ministers sanctioned by His Majesty on 1st July 1915 relating to the vesting of the Council of Ministers with certain powers to deal with joint-stock companies incorporated under the Law of the Empire (*Sobranie Uzakoneni*, Art. 1609), it is enacted as follows:

I. With reference to the joint-stock companies listed in Article 2 of the aforesaid enactment as well as to those operating within the Empire in virtue of their statutes and to partnerships duly sanctioned by His Majesty and having among their partners enemy nationals, the Council of Ministers is empowered, without instituting liquidation proceedings against the joint-stock companies themselves, to order the compulsory sale of shares held by enemy shareholders in conformity with the following rules:

1. The following shall be considered to be held by enemy nationals:

(a) shares declared to be so held in accordance with the provisions of the decision of the Council of Ministers sanctioned by His Majesty on 13th May 1916 relating to the registration of enemy property by a Special Committee (*Sobranie Uzakoneni*, Art. 999);

(b) registered shares which are entered in the books of the company as belonging on 19th July 1914 to enemy nationals, partnerships, companies, and institutions;

(c) shares to bearer produced by enemy nationals, partnerships, companies, and institutions at the last meeting of the shareholders held previous to the War; and

(d) shares which may be declared by the board of management of the company as belonging to enemy nationals, partnerships, companies, and institutions.

2. The preparation of the list of shares owned by enemy shareholders and liable to compulsory sale in accordance with the decision of the Council of Ministers is entrusted to the Committee for the Compulsory Alienation of Enemy Stocks to be attached to the Ministry of Commerce and Industry; this Committee shall be presided over by a person nominated by the Minister of Commerce and Industry and shall consist of two representatives of the Ministry of Commerce and Industry and one each from the Ministry of Finance and the Ministry of Justice. In case of illness or absence of the members of the Committee, their deputies shall be appointed. The work of the Committee shall be carried on in accordance with an instruction issued by the Minister of Commerce and Industry with the consent of the Minister of Finance.

3. Within a fortnight after the date of the publication of the decision of the Council of Ministers ordering the compulsory sale of shares held by the enemy shareholders of specified joint-stock company, the board of management of the company shall communicate to the Minister of Commerce and Industry all information available as to shares held by enemy nationals, partnerships, companies, and institutions, submitting at the same time a list, certified by the board, of registered shares held on 19th July 1914 by enemy nationals, a list of shareholders who presented their shares at the last meeting of shareholders held previous to the War, together with a copy of their declaration to the Committee for the Registration of Enemy Property. The Committee for the Compulsory Alienation of Enemy Stocks shall have the power of requesting further information and of checking that submitted, by examination of the books and documents of the joint-stock companies.

4. The list of shares liable to compulsory alienation, based on the information described in the preceding Article (3), shall be published by the Committee (Article 2) in *Senatskya Obyavlenya, Vestnik Finansov, Torgovli i Promishlennosti*, and in two of the newspapers with the widest circulation, and shall be communicated to the Commercial Attachés of the Ministry of Commerce and Industry in the allied and neutral countries.

In the course of one month after the publication of the aforesaid

list of shares, the nationals of Russia and of the allied and neutral countries and partnerships, companies, and institutions incorporated under the law of such countries, who after the last pre-war meeting of the shareholders have purchased the shares listed in Paragraphs *b* and *c* of Article 1, may make a statement to this effect, supported by documentary evidence, to the Committee for the Compulsory Alienation of Enemy Stocks. If the evidence produced shall be considered sufficient by the Committee, such shares shall be excluded from the list of shares held by enemy nationals.

5. On the compilation of the final list of shares held by enemy nationals, partnerships, companies, and institutions, it shall be communicated to the Committee (Article 2) by the board of management of the joint-stock company, which shall publish in the manner set forth in Article 4 the numbers of such shares and shall declare them annulled. Simultaneously and in the same manner the board of management shall announce the issue of new shares and the price of issue. In case the Committee is aware of the place where the annulled shares may be found, it is entitled to demand their delivery in order to mark them as canceled.

6. The price of the new issue of stock certificates shall be determined by the Committee for the Compulsory Alienation of Enemy Stocks, based on the estimate submitted by the board of management of the joint-stock company in accordance with the last pre-war balance sheet approved by the meeting of shareholders.

7. The Treasury may purchase the shares offered for sale at the price of issue. If the Treasury is unwilling to avail itself of this right, preference for the purchase of such shares at the price of issue shall be given to the Russian, allied, or neutral shareholders of the partnership, company, or institution, the amount purchased to be proportional to the number of shares they are now holding. If in the course of a fortnight after the day of the issue of the notice of sale they do not file application for the purchase of shares, such shares with the permission of the Committee shall be sold to outsiders by the board of management (Article 2). If the price of the share determined in accordance with the last balance sheet (Article 6) does not correspond to its real value, it may be lowered with the permission of the Committee.

8. The board of management shall issue to the purchasers of the new shares provisional certificates bearing the same number as the

annulled shares and containing the statement that they are replacing the canceled stock certificates. The provisional certificates shall be replaced by permanent stock certificates as soon as such certificates have been prepared.

9. The sums obtained by the sale of shares owned by enemy shareholders shall be paid into a special account opened with the State Bank or with the State Savings Banks as provided by Article 10 of the Decision of the Council of Ministers sanctioned by His Majesty on 13th May 1916 (*Sobranie Uzakoneni*, Art. 999).

10. The sale of shares provided for by this Act may be effected without obtaining the permission of the Committee for Registering Enemy Property.

11. (1) To defray the expense of the liquidation and compulsory sale of shares and for the remuneration of the members of the Committee for the Compulsory Alienation of Enemy Stocks (Part I, Art. 2) one-fourth of 1 per cent of the proceeds of any liquidation carried out in virtue of the Act of 1st July 1915 (*Sobranie Uzakoneni*, Art. 1609) and 1 per cent of the proceeds of the compulsory sale of shares shall be retained in favor of the Ministry of Commerce and Industry. In case of non-payment by the company of the sum required for defraying the expenses of administration and liquidation within a fortnight after the date of the receipt of the notice issued to this effect by the Ministry of Commerce and Industry, such claims shall be enforced by a summary procedure set forth by Article 577 of the Statute of Direct Taxes (*Svod Zakonov*, Vol. V, ed. 1914).

(2) An account showing the expenditure of sums paid in by the companies to defray the expenses set forth in the preceding paragraph shall be submitted by the Ministry of Commerce and Industry to the State Audit Department within six months after the discontinuance of the work of the Committee for the Compulsory Alienation of Enemy Stocks. The sums which may remain to the credit of the Committee shall be turned over to such charities as may be directed by the Council of Ministers.

His Majesty the Emperor has been pleased to approve this decision of the Council of Ministers on the 8th day of February 1917.

APPENDIX IX

DECREE OF THE PROVISIONAL GOVERNMENT OF 7TH JUNE 1917 ON THE AMENDMENT OF THE ACT OF 8TH FEBRUARY 1917

(*Ukazatel Pravitelstvennikh Rasporyazheni po Ministerstvu Finansov i po Ministerstvu Torgovli i Promishlennosti*, 1917, Art. 30.)

The Provisional Government in its session of 7th June 1917 has decided to issue the following decrees:

In amendment of Articles 5, 6, 7, 8, and 9 of the Act of 8th February 1917 it is enacted as follows:

Article 5. On the compilation of the final list of shares held by enemy nationals, partnerships, companies, and institutions, it shall be communicated by the Committee to the board of management of the joint-stock company, which shall publish in the manner set forth in Article 4 the numbers of such shares and shall make in the same manner an announcement of the issue of new shares replacing the ones declared void. In cases where the Committee is aware of the place where the annulled shares are deposited it is empowered to demand their delivery in order to mark them canceled.

Article 6. The price of the new issue of the stock certificates shall be determined by the Committee for the Compulsory Alienation of Enemy Stocks, based on the estimate submitted by the board of management of the joint-stock company in accordance with the last prewar balance sheet approved by the meeting of shareholders. If the price of the share determined in accordance with the last balance sheet does not correspond to its real value, the price of reissue may be lowered accordingly.

Article 7. New provisional certificates bearing the same numbers as the annulled shares and containing a statement that they replace the canceled stock certificates shall be issued. Such provisional certificates shall be issued to the purchasers of the new shares until permanent stock certificates have been prepared.

Article 8. The share certificates issued in place of the canceled ones shall be distributed in a manner and at a price established in

accordance with their real value by the meeting of the shareholders with the approval of the Committee for the Compulsory Liquidation of Enemy Stocks.

Article 9. In case the price at which the new stock certificates are to be issued (Article 6) shall exceed the redemption price of the canceled certificates, the difference between the two prices shall go to the Crown and shall be paid by the board of management to the Treasury. The sum equal to the redemption price of the canceled certificates shall be paid by the board of management into a special account opened with the State Bank or with State Savings Banks as provided by the Act of 13th May 1916 (*Sobranie Uzakoneni*, Art. 999).

The minutes of the meeting of the Provisional Government are signed by the Prime Minister, members of the Government, and countersigned by the Executive Secretary of the Provisional Government.

APPENDIX X

DECISION OF THE COUNCIL OF MINISTERS OF 2ND FEBRUARY 1915 ON THE OWNERSHIP AND TENURE OF LAND IN THE RUSSIAN EMPIRE BY NATIONALS OF AUSTRIA, HUNGARY, GERMANY, AND TURKEY

(*Sobranie Uzakoneni i Rasporyazheni Pravitelstva*, 1915, Art. 349.)

By the Decision of the Council of Ministers sanctioned by His Majesty on 2nd February 1915 in amendment and consolidation of the enactments concerned and in virtue of Article 87 of the Fundamental Laws (*Svod Zakonov*, Vol. I, Part I, ed. 1906), it is hereby enacted:

I. The acquisition by nationals of Austria, Hungary, Germany, and Turkey of title to real property, as well as the use and management of such property, shall be subject to the following regulations:

1. The aforesaid nationals shall be prohibited henceforth from acquiring within the territory of the Russian Empire the right of ownership and other real (*vitchinnie*) rights of land tenure by whatever methods or under whatever provisions of the Imperial or local laws, as well as the right of possession and use of real property independent of ownership.

This ruling shall not apply to the renting of apartments, dwelling houses, and other premises.

2. In case of acquisition of real property by inheritance by persons listed in Clause I, such persons shall sell such property voluntarily, or in accordance with the procedure provided by law, within two years after the acquisition of their title to such property. In case of the nonobservance of this rule, such property shall be sold by public auction by the Provincial Board (*Gubernskoe Pravlenie*) or other governmental institution acting in similar capacity. The sum obtained at the auction shall be credited to the former owner of the property after the payment of claims which may be made by third parties and the deduction of expenses necessitated by the making of the inventory and the sale.

3. The public auction mentioned in the preceding Section (2)

shall be carried out in accordance with the local regulations regarding summary procedure. In the Grand Duchy of Finland, sale by public auction shall be carried out, in accordance with the rules for the seizure of property, without an order from the Court; and the application of such rules to the sale of the aforesaid property (Article 2) shall be regulated by the *droit administratif*.

4. If the property liable to be sold by public auction shall constitute part of an estate owned jointly by persons, some of whom fall within the provisions of Clause I and others who do not, the delimitation of the portion of the estate to be sold shall be carried out on the request of the Provincial Board, or other governmental institution acting in a similar capacity, in accordance with the general procedure set forth for the apportionment of property held in joint ownership.

5. The provisions of Sections 2 to 4 shall also apply to inheritances by the persons listed in Clause I of rights in real property, other than the right of ownership: real rights of enjoyment and use, such as, for instance, *chinshevoe* law,[1] leases for building purposes for a long term of years, leases in perpetuity, with the exception of various rights of enjoyment and use for life, such rights being deemed void.

6. Claims resulting from mortgages or debts cannot lead to the acquisition of title to real property or to the enjoyment or use of such property by persons listed in Clause I.

7. Persons listed in Clause I shall not act as managers or administrators of real estate.

8. The provisions of the preceding Sections shall apply, in their relevant portions, to all classes of companies and partnerships incorporated under the laws of Austria, Hungary, Germany, and Turkey, although they had been duly authorized to operate in Russia, as well as to partnerships with or without limited responsibility authorized under the Russian law if they have among their full partners or limited partners nationals of Austria, Hungary, Germany, or Turkey.

9. All transactions involving a breach of the rules set forth in Sections 1 to 8, or designed to evade them, shall be deemed void.

10. Any of the parties to transactions set forth in Section 9 shall be entitled to bring action in the District Court (and in the

[1] *See* p. 108, n. 8.

Grand Duchy of Finland, in the Häradsrätt or the Radstururätt,[2] as the case may be) of the district where the property is situated, for the annulment of such transaction, or may apply to the local executive officers.

11. If information relating to transactions set forth in Section 9 shall be obtained by the local executive officers, then, on receipt of necessary data which shall be immediately communicated to such officers by the Courts as well as by other governmental institutions and officials, the senior officer or governor, through special official representatives appointed therefor (in the provinces of the Generalgovernorship of Warsaw and in the province of Kholm, the office of the public prosecutor) shall bring action in the District Court (and in the Grand Duchy of Finland, in the Häradsrätt or the Radstururätt, as the case may be) of the district where the property is situated, for the annulment of such transaction. Such actions shall be examined by the Courts in accordance with the procedure set forth for governmental action.

12. The expiration of the time prescribed by Imperial or local laws for bringing action shall not, in the case of transactions falling within the provisions of Section 9, affect the bringing of the aforesaid actions (Sections 10 and 11). Similarly, the expiration of the time prescribed by law shall not create a title of ownership to real property in the case of the aforesaid transactions, or in the case of actual enjoyment of such property by persons, within the provisions of this Act, resulting from verbal or other informal agreement, or by mere fact of possession.

13. In the case of a decision in favor of the plaintiff in an action brought under Section 11, the real property owned by persons coming under the provisions of Clause I shall be sold at public auction by the Provincial Board or other governmental institution acting in a similar capacity. In executing the sale, the provisions of Sections 3 to 5 shall be complied with, provided, however, that the sum allotted to the owner of the property, including the meeting of claims of third parties against such property and payment of court fees and expenditure for the sale and the preparation of the inventory, shall not exceed the value of the property as set forth in the title

[2] *Häradsrätt* is a court of first instance in rural districts, and the *Rådstururätt* is a court of first instance in the towns.

deed. Any surplus over the value as stated in the title deed shall be turned over to the State Treasury or to the Treasury of the Grand Duchy of Finland, as the case may be.

The executive officers of the province, or other governmental officer acting in a similar capacity, may submit to the court a statement that the price mentioned in the title deed does not correspond to the one actually paid by the purchaser. If such statement is made, the court shall state in its decision the amount of the sum actually paid by the purchaser.

14. The provisions of Sections 9 to 13 shall also be operative in the case of acquisition by public auction of real property by persons falling within the provisions of Clause I.

15. Persons who, in defiance of the rules set forth in the preceding Sections (1 to 14), shall be found to be in possession of or administering real property as the result of verbal or other informal agreement, or by mere fact of possession, or after a decision revoking existing agreements conferring such rights on them, shall be deported as prescribed by law.

II. In partnerships and joint-stock companies, authorized under the law of the Russian Empire or local laws and possessing the right of owning real estate, a national of Austria, Hungary, Germany, or Turkey shall not be eligible to hold office as chairman or member of the council of directors, executive board, executive or other committees, nor to act as deputy for members of the council of directors, executive board or committee, nor as managing director, representative, chief agent, agent, manager in general, and in particular manager in the mining industry, nor as manager of the real estate of the partnership or company wherever such property may be situated, nor manager of branch undertakings, wherever such undertakings may be situated, nor as technical adviser, salesman, or other employee of partnerships or companies.

III. At the expiration of one year after the publication of the present enactment, all rights of ownership in real property, as well as rights resulting from agreements for the lease or hire of such property, vested in nationals of Austria, Hungary, Germany, and Turkey, or in partnerships and societies falling within the provisions of Clause I, Section 8, shall be forfeited. This ruling does not apply to the renting of apartments, dwelling houses, and other premises. The administration and management of real estate, based

on formal contracts, verbal or other informal agreements, or no agreement at all, by persons coming under the provisions of Clause I, Section 7, of this enactment, shall cease two months after the expiration of the time limit set forth by this Clause (III).

IV. Real estate held at the date of the issue of this Act on the right of ownership or possession by nationals of Austria, Hungary, Germany, or Turkey or by the companies or partnerships listed in Clause I, Section 8, of the present Act, and situated outside urban settlements in the provinces of Petrograd, Estland, Esthonia, Livonia, Courland, Kovno, Grodno, Vilna, Minsk, Suvalki, Lomzha, Plotsk, Warsaw, Kalish, Petrokov, Keletsk, Radom, Lublin, Kholm, Volhynia, Podolia, Bessarabia, Kherson, Tavrida, Ekaterinoslav, the territory of the Cossacks of the Don, the whole region of the Caucasus, the Grand Duchy of Finland, and the area within the jurisdiction of the Governor-General of the Amur region,—shall be subject to the following regulations:

1. The aforesaid individuals, companies, and partnerships shall be entitled within the time prescribed by this Act to dispose voluntarily of the real estate held by them in the aforesaid area; in case of their failure to comply with this requirement, such real estate shall be sold at public auction.

2. The operation of Section 1 of this Clause (IV) shall also extend to the real estate held by the aforesaid individuals, societies, and partnerships, not only by right of ownership, but in virtue of other real rights of possession and use, such as, for instance, *chinshevoe* law,[3] leases for building purposes for a long term of years, leases in perpetuity, with the exception of various rights of possession and use for life created before 1st November 1914.

3. Persons falling within the provisions of Clause I shall be listed by the Provincial Boards or other governmental institutions acting in a similar capacity, in special lists showing the real estate held by such persons and falling within the provisions of this Clause (IV), such lists being compiled from information supplied on the request of the governor by the institutions and officers concerned. The aforesaid list shall be published in *Gubernskya Vedomosti* (*Provincial Official Gazette*), and in the Grand Duchy of Finland in *Offitsyalnya Vedomosti* (*Official Gazette*) and shall also be posted for general information in the offices of the Provincial Boards, or other institu-

[3] *See* p. 108, n. 8.

tions acting in a similar capacity, not later than two months after the publication of the present Act. Moreover, the aforesaid lists shall be communicated to district police headquarters, to the executive officers of rural communities or institutions and officers acting in similar capacity, and in the Grand Duchy of Finland to the municipal police, *Kronofogole, Kronolänsman,*[4] and executive officers of rural communities. The aforesaid lists shall also include the real estate held by the companies and partnerships listed in Clause I, Section 8.

In case of omissions in the lists drawn up in accordance with the provisions of this Section (3), the Provincial Boards, or other institutions acting in the same capacity, shall prepare in the same manner supplementary lists.

4. Complaints against irregularities in the preparation of lists or supplementary lists (Section 3) may be made, within one month after the publication of such lists, to the First Department of the Imperial Senate, where they shall immediately be examined and a final decision rendered, after the Public Prosecutor has given his opinion, by a majority vote of the Senators present and the Minister of the Interior; in case of an equal division of votes, the presiding senator shall have the deciding vote. In the Grand Duchy of Finland, the aforesaid complaints shall be made, within the time limit stated above, to the Economics Department of the Imperial Senate of Finland, which shall examine them immediately and shall then give a final decision. The presentation of claims shall not affect the normal course of liquidation unless a special order to that effect shall be issued by the Imperial Senate or by the Economics Department of the Imperial Senate of Finland.

5. Real estate situated outside urban localities and falling within the provisions of this Act, which is not voluntarily transferred to persons entitled to acquire such property within six months from the date of the publication of lists provided for by Article 3, shall be sold at public auction by the respective Provincial Board, or other governmental institution acting in a similar capacity, in accordance with the rules set forth in Sections 3 and 4 of Clause I, provided that the Peasant Land Bank has been given due notice as to the date when such public sale shall be held.

6. Persons having claims against the owner of an estate falling within the provisions of this Section, provided such claims were effec-

[4] Local executive officers.

tive before 1st November 1914 and are not guaranteed by any special security forming part of the debtor's estate, shall, in accordance with the general rules of procedure and before the expiration of the time when their claims fall due, be entitled to lay before the respective court a statement of their claims against the proceeds of the property, voluntarily transferred or to be sold at public auction, or against amounts due to the former owners of such property, observing in every case the pertinent provisions of Articles 1825-1827, 1829, 1831-1833, of the Civil Code, ed. 1914.

7. Restrictions on the freedom of disposal resulting from liabilities incurred by the estate shall not prevent the transfer of such estate by voluntary agreement, provided that the price received shall cover the amount of such liabilities. In such case, the purchase price or a part thereof shall be used for meeting the mortgages upon the estate even though payment is not yet due; in cases where such liabilities are disputed by the owner of the aforesaid property, a portion of the purchase price equal to the amount of the liability shall be placed in the custody of the District Court, pending the issue of the dispute.

8. Mortgages and other liabilities and rights arising from contracts relating to the hiring and leasing of real estate falling within the provisions of this Clause and entered into after 1st November 1914 shall not be binding on the purchaser at public auction of such estate.

9. Estates which lie only in part within the area defined by this Clause shall be subject to its operation only as regards the portion enclosed by the same furrow which encloses the portion lying within the aforesaid area.

10. In the areas where the immediate enforcement of this Act shall prove impossible during the period of the War, the date from which the term of months provided for by Sections 3 to 5 of this Clause shall run, shall be decided by the Ministry of the Interior (and in the Grand Duchy of Finland, by the Governor-General) in agreement with local military authorities. Similar procedure shall be observed in the preparation of a list of regions to which this Section shall apply. Such regulations shall be published through the Imperial Senate for general information.

11. The provision set forth in Clause I, Section 1, of this Act, exempting the leases of houses, apartments, and other premises held

by the nationals of Germany, Austria, Hungary, and Turkey from the operation of this Act, shall not apply to the regions listed in this Clause (IV). Rights arising from contracts relating to the hiring and leasing of real estate shall be forfeited after one year from the date of the publication of this Act.

V. For considerations of national defense the operation of the provisions of Sections 1 to 7, 9 and 11 of Clause IV of this Act may be extended, beyond the region set forth in that Clause, to certain territories of the Russian Empire, provided the following rules are observed:

1. The territory to be included within the operation of this Act shall be decided upon by the Permanent Interdepartmental Committee attached to the Ministry of War; the Committee shall be presided over by the Chief of the General Staff and shall include the Chief of the Naval General Staff and, by nomination by the heads of the respective Departments, the Under-Secretaries of the Ministries of Interior, Foreign Affairs, Justice, Finance, Transport, Commerce and Industry, Agriculture and Land Settlement, and the State Audit Department.

2. The decisions of the aforesaid Committee (Section 1) shall be submitted by the Minister of War to the Council of Ministers; the decisions of the latter shall be submitted for approval to His Majesty the Emperor, and then published for general information in the usual manner.

3. The term of months provided for by Sections 3 and 11 of Clause IV of this Act shall commence with the date of the aforesaid (Section 2) decisions of the Council of Ministers.

4. Mortgages and other liabilities and rights arising from contracts relating to the hiring and leasing of real estate falling within the provisions of this Clause, which have been entered into after the publication of the decision of the Council of Ministers provided for by Section 2 of this Clause, shall not be binding on the purchaser at public auction of such estate.

VI. For the purpose of this Act, the term "nationals of Germany, Austria, Hungary, and Turkey" shall be considered as including the nationals of Germany, Austria-Hungary, and Turkey, as well as those of all other states or parts thereof which are incorporated within the territory of the aforesaid Powers.

VII. The Minister of the Interior shall present estimates for ap-

propriations for the carrying out of the measures set forth in Sections 3 to 5 and 10 to 14 of Clause I and of Section 5 of Clause IV of the present Act; in the Grand Duchy of Finland such appropriations shall be granted on the request of the Imperial Senate of Finland.

VIII. The Council of Ministers shall be empowered to issue detailed regulations for the enforcement of this Act.

APPENDIX XI

IMPERIAL UKASE OF 15TH NOVEMBER 1914 TO THE SENATE, CONCERNING CERTAIN MEASURES NECESSITATED BY THE WAR

(*Sobranie Uzakoneni i Rasporyazheni Pravitelstva*, 1914, Art. 316.)

As a result of conditions created by the War, We consider it necessary, in virtue of Article 87 of the Fundamental Laws (*Svod Zakonov*, Vol. I, Part I, ed. 1906), to enact the following:

I. Until further notice, it is prohibited, unless specially permitted by the Minister of Finance acting, where so required, in concert with the Minister of Commerce and Industry,

(1) to pay, convey, or transfer abroad any moneys, securities, silver, gold, platinum, and precious stones, as well as articles made from the aforesaid metals and stones, to Austrian, Hungarian, German, and Turkish institutions, companies, and partnerships and to nationals of Austria, Hungary, Germany, and Turkey domiciled outside Russia, directly or through other persons or institutions wherever established and whatever may be their connection with such institutions or persons;

(2) to carry out of the country in the possession of any one person more than 500 rubles in cash, securities, silver, gold, or platinum, securities being valued at their par value, as well as articles made of silver, gold or other precious materials representing value in excess of those indicated in Article 715 of the Customs Statute (*Svod Zakonov*, Vol. VI, ed. 1910), or

(3) to allow anyone to have access to safe deposit boxes or vaults in banks, on the strength of letters of attorney issued by the institutions, companies, partnerships, and persons domiciled outside Russia and falling within the provisions of Article I, Section 1.

II. Payments in money due to nationals of Austria, Hungary, Germany, and Turkey, residing outside Russia and owning commercial or industrial establishments or real estate situated within the Empire, shall be made to administrators of such establishments or estates who were legally appointed before the outbreak of the War.

III. Persons guilty of the infringement of the regulations set forth in Article I, Section 1, shall be liable to imprisonment for a term not exceeding sixteen months and to a fine of from one thousand to five thousand rubles. Persons guilty of smuggling abroad through the Custom Houses, or attempting to smuggle abroad, sums of moneys and other articles prohibited for export by Section 2 of Article I, shall be liable to the same penalty and to the confiscation of moneys and articles so concealed.

IV. Persons guilty of infringement of the regulations set forth in Section 3 of Article I of this Ukase shall be liable to imprisonment for a term not exceeding three months, or to a fine not exceeding three hundred rubles.

V. Cases arising from the infringement of Articles III and IV of this Ukase shall be considered as within the jurisdiction of District Courts.

VI. Payments to institutions, companies, partnerships, and individuals, prohibited by Article I of this Ukase, may be made, if the persons making payment so prefer, into a special account opened at the State Bank, in accordance with the rules to be issued by the Minister of Finance.

VII. The Minister of Finance, acting in concert with the Minister of Commerce and Industry, shall be empowered, in order to prevent the infringement of the provisions of Article I of this Ukase, to issue regulations for the effective control of the receipts and expenditure of joint-stock companies incorporated under the laws of Austria, Hungary, Germany, and Turkey, and duly authorized to operate in Russia, of partnerships with or without joint liability which have, or had at the outbreak of the War, among their general partners nationals of Austria, Hungary, Germany, or Turkey now fighting in the ranks of an enemy army, or of those commercial and industrial establishments situated within the Empire which are owned by nationals of Austria, Hungary, Germany, or Turkey residing outside Russia.

VIII. The Minister of Finance, acting in concert with the Minister of Commerce and Industry, shall, with the consent of the Commander-in-Chief, have the power to establish exemptions from the application of this Ukase, in favor of institutions, companies, partnerships, and individuals domiciled within enemy territory occupied by Russian troops, as well as in favor of exportation of valuables

from Russia into such territories. Such decisions shall be made public.

The Imperial Senate shall take the necessary measures for the enforcement of this Ukase.

APPENDIX XII

DECREE OF THE PROVISIONAL GOVERNMENT OF 5TH JUNE 1917 PROHIBITING THE TRANSFER ABROAD OF MONEYS

(*Sobranie Uzakoneni i Rasporyazheni Pravitelstva*, 1917, Art. 734.)

In amendment of the legislation concerned and as a provisional measure, it is enacted as follows:

I. All transfers of rubles abroad, as well as the payment of rubles to the account of persons and institutions domiciled abroad or of their representatives in Russia, or the entering into transactions which may lead to such transfers or payments, are unreservedly prohibited, except with the special permission of the Minister of Finance, which permission must be granted in each particular case.

II. The limitation established in Article I does not apply in the case of the transfer or payment of rubles from one foreign account into another.

III. The Minister of Finance is empowered to establish a Foreign Currency Clearing House, to publish rules as to the issue of the permits referred to in Article I, and to establish the maximum sum generally allowed to be transferred by one person in order to meet his payments and obligations not resulting from commercial transactions.

IV. All dealings in currency may be legally entered into only through the banks whose names appear in the list approved by the Ministry of Finance.

V. Persons guilty of a breach of the rules set forth in Article I shall be liable, for a first offense, to a fine not exceeding the sum of the transfer or payment; for the second offense, in addition to the aforesaid fine, to imprisonment for a term not exceeding sixteen months; and for the third offense and subsequent offenses, to the withdrawal of their civic rights and privileges and imprisonment for a term not exceeding two years.

VI. Persons guilty of the habitual infringement of the rules set forth in Article I shall be liable, in addition to a fine not exceeding

the amount of the illegal transaction, to the withdrawal of their civic rights and privileges, and to imprisonment with hard labor for a term not exceeding three years.

VII. Persons guilty of the infringement of the rules set forth in Section IV of this Decree shall be liable, in addition to a fine not exceeding the amount of the illegal transaction, to the limitation of their civic rights and privileges, and to imprisonment with hard labor for a term not exceeding five years.

VIII. Cases arising from infringements of this Decree, set forth in Articles V, VI, and VII, shall be under the jurisdiction of the District Courts.

Signed:

Prince Lvov, Prime Minister,
A. Shingarev, Minister of Finance.

June 5, 1917.

APPENDIX XIII

ORDINANCE OF THE MINISTRY OF FINANCE, DATED 25TH JULY 1916 ON THE SURRENDER TO THE MINISTRY OF FINANCE OF FOREIGN CURRENCY OBTAINED IN PAYMENT FOR EXPORTS

(*Ukazatel Pravitelstvennikh Rasporyazheni po Ministerstvu Finansov i Ministerstvu Torgovli i Promishlennosti*, 1916, No. 31.)

On 4th May 1915 the Minister of Finance approved rules for the export of goods under embargo for the period of the War. (*Ukazatel Pravitelstvennikh Rasporyazheni po Ministerstvu Finansov*, 1915, no. 21.) At the present time the Minister of Finance considers it necessary that foreign moneys obtained by the exporters in payment for the export of embargoed goods, should, as a general rule, be surrendered to the Ministry of Finance. The Credit Office, therefore, has now communicated to the Customs Department the following rules having to do with the surrender of foreign moneys obtained in payment for exported goods:

1. The exporting firms which desire to export goods embargoed for the period of the War may be granted a permit to export such goods, on condition that they surrender to the Ministry of Finance the whole of the foreign moneys obtained in payment for such goods, with the exception of the amount required for the payment of freight and other expenses connected with the export which must be defrayed in foreign currency.

2. The exporting firms applying to the Department of Customs for permission to export goods embargoed for the period of the War (*see* schedule of embargoed goods sanctioned by the Minister of Finance, 15th July 1915, and amendments to it) shall supply, in addition to the information and documents prescribed by Paragraphs 4 to 6 of the Rules of 4th May 1915, a written statement in which they agree to surrender to the Ministry direct or through the State Bank or private banks the foreign moneys obtained in payment for the exported goods. Such statement shall contain the following information: description of goods and quantity, approximate date

of surrender of currency, its amount and denomination. (A form of the statement is attached hereto.)

If the foreign moneys obtained in payment for the exported goods have already been surrendered to the Ministry of Finance, the firm shall report when and how the surrender was effected.

A permit for export, unaccompanied by an agreement to surrender foreign moneys to the Ministry of Finance, may be issued only where the firm produces documentary evidence to show that the transaction was made in rubles prior to 1st May 1916.

3. Firms exporting into allied countries in ships flying the Russian or allied flags goods (with the exception of lumber) authorized for export by the Minister of Finance, in virtue of Article 17 of the Rules of 4th May 1915 and amendments to those rules, without special permission in each case, shall in each instance issue to the respective custom houses written guarantees containing information required for the export of goods as listed in Article II. (A form of the guarantee is attached hereto.) In case the goods listed in Article 17 of the Rules of 4th May 1915 are conveyed to allied countries by parcel post, no statement of surrender of foreign moneys shall be required.

4. Firms exporting into allied countries in ships flying the Russian or allied flags lumber authorized for export by the Minister of Finance in virtue of Article 17 of the Rules of 4th May 1915 shall issue special guarantees, in the form herewith attached, to the Association of Exporters of Timber in Petrograd or to the Association of Timber Merchants of Archangel, such guarantees being forwarded by the aforesaid associations to the Ministry of Finance (Credit Office). In cases of emergency, the associations may inform the Credit Office of the receipt of the guarantee by telegram.

Those firms which refuse to give guarantees to the Unions shall enter into a special agreement with the Ministry of Finance as to the free export of lumber.

5. The settlement of the account for the surrender of foreign currency shall be effected by the Ministry of Finance on the basis of the rate of exchange of the Clearing Department on the day the surrender took place or the day the obligation to surrender foreign currency was incurred; in the latter case, a discount of one-fourth of 1 per cent per month shall be allowed as commission for the insurance of the rate of exchange.

The method of settlement preferred by the exporter shall be stated in the written statement.

6. Foreign moneys obtained in payment for exported goods may be surrendered through the State Bank, or through one of the Russian private banks, or they may be paid in to the *Compte Section Étrangère Ministère des Finances* opened with one of the correspondents of the Ministry of Finance; in the latter case, the amount in rubles shall be paid to the exporter on receipt by the Ministry of Finance of a notice from the correspondent that the payment in foreign currency has been made. The correspondents of the Ministry of Finance authorized to receive the aforesaid payments are: in London, the London Branch of the Russian Bank for Foreign Trade; in Paris, the *Crédit Lyonnais;* in New York, the National City Bank; in Stockholm, the *Stockholm Enskilda Bank;* in Christiania (Oslo), the Central Bank of Norway; in Copenhagen, *Kjobenhavens Handels Bank;* in Yokohama, the Yokohama Branch of the Russo-Asiatic Bank.

7. In case of non-fulfilment in due time and without sufficient reason of the surrender of foreign moneys to the Ministry of Finance, the exporter shall forfeit his right to export such goods in the future.

8. The statement of guarantee submitted by the exporter shall be subject to a stamp duty of two rubles, irrespective of the stamp duty payable on the application.

The aforesaid rules shall be communicated by the Department of Customs to custom houses and customs officers who shall bring them to the attention of exporters. In this respect the Department thinks it desirable to draw the attention of customs officers to the following points:

(1) in case of the export of goods in virtue of permits issued by the Department and involving the compulsory surrender of foreign moneys obtained in payment for such goods, the formalities of the actual payment of such moneys by the exporter, as well as the confirming of the sum received by the exporter, shall not be considered the duty of the customs officer, who shall, in addition to the information on the export of goods required by Articles 10 and 11 of the Rules of 4th May 1915, merely inform the Credit Office by mail of the export, in virtue of such permits, of the whole consignment or of a portion thereof; and

(2) the statement of guarantee presented by the exporter to the

customs officer on the exporting of goods other than in virtue of Article 17 of the Rules of 4th May 1915 lumber shall be forwarded to the Credit Office at once, together with a statement of the actual release for shipment abroad of such goods.

The Department also requests that the customs officers concerned supply the Department with a weekly report of all goods exported in virtue of Article 17 of the Rules of 4th May 1915, such reports to contain all information which the exporters are requested to give in the aforesaid statements of guarantee, as well as the names of the banks through which foreign moneys are to be surrendered to the Ministry of Finance.

Signed: GRINVALD, Acting Director,
Countersigned: A. STRUKOV,
Acting Senior Officer of the Department.

Annex to Appendix XIII, Article 2.

Statement of guarantee.

I, the undersigned, hereby declare on behalf of .....
..... which proposes to ship abroad to
(name of firm)
..... in the course of .....
(name of country) (date)
.....
(description and quantity of goods)
that the aforesaid firm will surrender to the Ministry of Finance the foreign moneys obtained in payment for the aforesaid goods amounting approximately to .....
(sum and country of origin of foreign moneys)
within ..... of months from this date at a rate of exchange
(number)
established by the Foreign Currency Clearing Department of the Credit Office on the date of the surrender of the moneys to the Ministry of Finance.[1] The documents will be deposited with the .....
..... Bank. The firms undertake, if the Minister of Fi-
(name)
nance so desires, to supply confirmation of the sum obtained in payment for the goods.

.....
(signature of the agent of the firm)

[1] Instead of the rate of exchange on the date of the surrender of the foreign moneys to the Ministry of Finance, the firm has the option of stipulating in the statement of guarantee that the settlement shall be carried out at a rate

Annex to Appendix XIII, Article 3.

Statement of guarantee.

I, the undersigned, hereby declare on behalf of .....
..... that the aforesaid firm, which proposes
(name of firm)
to ship abroad to ....
(name of country) (description and quantity of goods)
....., will surrender to the Ministry of Finance the foreign moneys obtained in payment for the aforesaid goods, amounting approximately to .....
(sum and country of origin of currency)
in the course of ..... months from this date at a rate of exchange established by the Foreign Currency Clearing Department of the Credit Office on the day of the surrender of the moneys to the Ministry of Finance.[2] The documents will be deposited with the ..... Bank. The firm undertakes, if the Minister
(name)
of Finance so desires, to supply confirmation of the sum obtained in payment for the goods.

.....
(signature of the agent of the firm)

Annex to Appendix XIII, Article 4.

Statement of guarantee.

Petrograd,
.....191..,

We, the undersigned, ... declare
(name of firm)
hereby to the Board of the Association of the Timber Merchants of Archangel that, proposing to ship timber from the port of Archangel (or ..... port on the White Sea) during the navigation season of 191.., undertake:

(1) to conclude no transactions in rubles for the exported timber;

of exchange established by the Clearing Department of the Credit Office on the date when the obligation for the surrender of foreign currency was incurred, with a discount of one-fourth of 1 per cent per month for the period from the day of the issue of the guarantee until the day of the actual surrender of the foreign moneys to the Ministry of Finance. (The latter method of settlement is available if only the date of the issue of the guarantee and that of the surrender of foreign moneys are separated by a period of not more than four months.)

[2] *See* p. 223, n. 1.

(2) to surrender all foreign moneys obtained through such transactions, including advances on contracts for next year, exclusively to the Credit Office directly or through the banks;

(3) to supply the Association not later than ..... (date) with information regarding the stocks of timber the firm .... (name) proposes to export; the amount of advances obtained on account of such proposed export, specifying through what banks foreign moneys have been transferred and drafts cashed; as well as the approximate amount of commissions, interest, insurance, and other expenditure which, in the opinion of the firm, will be due on the consignment they propose to export;

(4) to supply the Board of the Association not later than three months after the close of the navigation season with a complete record of all consignments of timber shipped abroad and of all foreign moneys received in payment for such consignments, showing how the latter were dealt with;

(5) in case of the shipment of unsold consignments and the lack of the information required by the aforesaid date, to present such information to the Association as soon as it shall be received from the firm's foreign representatives;

(6) to inform the Credit Office and the Association of the size and value of every consignment immediately after it has been shipped.

APPENDIX XIV

DECISION OF THE COUNCIL OF MINISTERS OF 25TH OCTOBER 1916 ON THE ADMISSION OF FOREIGN CARGOES INTO THE PORTS OF THE WHITE SEA

(*Sobranie Uzakoneni i Rasporyazheni Pravitelstva,* 1916, Art. 2399.)

By the decision of the Council of Ministers sanctioned by His Majesty on 25th October 1916 issued in virtue of Article 87 of the Fundamental Laws (*Svod Zakonov,* Vol. I, Part I, ed. 1906), and as a provisional war measure to be in force until the ratification of the treaty of peace between Russia and the Powers with which she is now at war, the following is hereby enacted:

1. Only such cargoes from abroad shall be admitted into the ports of the White Sea as have obtained, in the manner prescribed, permission from the Board of Maritime Transport attached to the Admiralty, or from the Chairman of the Russian Governmental Committee in London, or from the representatives of the Secretary of State for the Navy in the United States.

2. Cargoes arriving in the ports of the White Sea (Article 1) without the aforesaid permission (Article 1) are liable to confiscation by order of the Officer commanding the city of Archangel and the maritime area of the White Sea, or of an officer appointed by him.

3. Cargoes seized in virtue of Article 2 shall be put at the disposal of the Minister of War, who may use them, if he thinks it desirable, for needs of national defense, or may sell them, crediting the proceeds to the State Treasury.

4. The rules set forth in Articles 1 to 3 of this enactment shall become operative one month after the date of its publication.

APPENDIX XV

ANNEX TO THE FINANCIAL AGREEMENT BETWEEN THE BRITISH AND RUSSIAN MINISTERS OF FINANCE AT LONDON, SEPTEMBER 1915

The Russian and British Governments having in view the better coördination of their purchases of war material and other commodities, and the realization of economies in connection therewith, agree to the following arrangements:

I. The Russian Government have decided that in future all proposals for purchases on Russian account, whether in the British Empire or in the United States of America, shall be examined in London.

II. For this purpose the Russian Government will appoint in London such experts as they may consider necessary, who shall have in general full powers to sign contracts in the name of the Russian Government.

III. The British Government will place at the disposal of the Russian representatives such information as they may have respecting sources of supply and the prices paid by them, and will afford them every assistance in their power with a view to ensuring that their purchase shall be made under the best conditions obtainable.

IV. In order that full advantage may be taken of the information thus placed at their disposal, the Russian Government will arrange that no contract shall be made in the British Empire or in America without their accredited representatives in London having cognizance of its main conditions and that as far as possible all such contracts shall be negotiated and signed by them.

V. No purchases on Russian account, for which payment is to be made from credits furnished by the British Government, shall be made without formal authorization of the competent agent appointed by the Russian Government in London, acting in consultation with the competent authority appointed by the British Government.

VI. Purchases of war material will be made by duly authorized representatives of the Russian Government acting in consultation

with competent authorities of the British Government. Such consultation shall be effected through the medium of the Committee already appointed by Lord Kitchener at the War Office.

VII. Purchases of all other material will be made in like manner by the appointed representatives of the Russian Government on the *Commission Internationale de Ravitaillement* acting in consultation with the representative on that body of the various Departments of the British Government.

Signed:
R. McKenna,
P. Bark.

London, 30th September 1915.

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